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Food and Agriculture
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Продовольственная и
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Объединенных Наций

Organización de las
Naciones Unidas para la
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منظمة
الأغذية والزراعة
للأمم المتحدة

FINANCE COMMITTEE

Hundred and Seventieth Session
Rome, 21 - 25 May 2018
2017 Annual Report of the Inspector General

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EXECUTIVE SUMMARY AND DIRECTOR-GENERAL'S COMMENTS

➢ The Inspector-General is pleased to provide the Finance Committee with the 2017 Annual Report of the Office of the Inspector-General (OIG) as provided to the Director-General. The report contains information on the audit, investigative and inspection work of the Office in 2017 as well as its internal management.

➢ OIG's audit activity is based on a rolling plan aimed at ensuring that all high risks of the Organization, as captured in an OIG corporate risk register, are independently reviewed over a three biennia cycle under OIG's current resourcing, taking into account the oversight coverage of the Office of Evaluation and the External Auditor. In 2017 coverage included a review of the implementation of the FAO Strategic Framework at the Decentralized Offices.

➢ The annual report provides detailed information on the results of OIG's audits and investigation work during 2017. These are in line with OIG's findings for the previous year. OIG recognizes positive measures undertaken in 2017 as part of FAO's ongoing transformation to a significantly stronger results-oriented, risk conscious and accountable Organization. At the same time OIG's coverage in 2017 indicates that there remain important challenges in a number of areas that are essential for the Organization's transformation to be sustained and greater efficiencies achieved.

Director-General's Comments

➢ The Director-General appreciates the audit, investigation and inspection work and policy advice of OIG, which has supported the management and governance of the Organization. The senior managers of the Organization are accountable for ensuring appropriate implementation of agreed OIG recommendations, which is subject to periodic review during the year as well as at year-end. These include the recommendations in the important areas covered by OIG in 2017. Pursuant to the Finance Committee's request at its 148th session, management's status reporting on actions taken to address long outstanding high-risk recommendations has, for ease of reference, been added to Annex E of the Inspector-General's annual report. This can be supplemented by further update by management representatives at the Finance Committee's 170th session, and the status of recommendations will be monitored in the OIG periodic activity reports to the Director-General.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

➢ The Finance Committee is invited to take note of the Inspector-General's Annual Report for 2017.

Draft advice

The Finance Committee:

➢ **appreciated the quality of the report and the analysis of issues presented, which covered the full range of responsibilities under the mandate of the Office of the Inspector General, noting that the work of the Office of the Inspector General presented was very relevant and a useful tool for the management and governance of the Organization;**
➢ **welcomed and encouraged the good cooperation and convergence of views on internal control issues, between the Office of the Inspector General and management, and efforts to promote implementation of control improvements through agreed actions whose implementation are subject to regular follow up;**
➢ **noted FAO's systems of action on adverse findings from OIG investigations; and**
➢ **welcomed the positive response of the Director-General to the report.**

Office of the Inspector General

Annual Report

2017

Highlights

This report presents a summary of the activities carried out by the Office of the Inspector General (OIG) of the Food and Agriculture Organization (FAO) in 2017.

OIG provides oversight of the Organization's programmes and operations, through internal audit, investigation and related activities, in accordance with the mandate set out in its Charter.

Since 2010, OIG's audit activity has been based on a rolling plan aimed at ensuring the Organization's high risks, as captured in an OIG risk register, are independently reviewed over a defined cycle (currently three biennia). The plan takes into account the oversight coverage of the Office of Evaluation and the External Auditor.

Key corporate areas for formal audit or inspection completed in 2017 included:

- procurement management
- statistics governance
- Letters of Agreement
- GRMS (FAO enterprise resource program-ERP) post-implementation
- Commissary closure
- high-cost non-staff human resources (NSHR)
- service incurred incidents, and
- rental subsidy management.

As in previous years, a significant portion of OIG's activity focused on field and emergency operations due to their significant risk exposure to the Organization, through cyclical reviews of the Organization's Decentralized Office Network. In addition, Capping Reports on FAO's Strategic Framework at Decentralized Offices, and Programme and Operations, were prepared to raise corporate level issues as well as to address the issues at individual Country Office level. Some other audits in the 2017 workplan were still underway and were completed in early 2018.

In 2017, OIG issued 28 individual audit and nine inspection reports to operating units throughout the Organization. In addition, OIG issued 14 audit memoranda on various matters for management attention. The audit reports provided management with 283 recommendations and 188 compliance reminders to strengthen the Organization's risk management, internal controls and governance processes. There was a greater than 96 percent acceptance rate of these recommendations by management.

OIG closed a total of 96 investigation matters (69 cases and 27 non cases/advisory matters) and issued a total of 12 investigation reports and 13 investigation memoranda. OIG continues to work with management to strengthen elements of the Organization's integrity framework.

The Annual Report provides further information on the results of OIG's audit and investigation work during 2017. OIG recognizes the positive measures undertaken in 2017 as part of FAO's ongoing transformation initiatives to support a significantly stronger results-oriented, risk conscious and accountable Organization. Further improvements to FAO's integrity framework were made and management has been responsive to the results of investigations carried out in relation to staff and third-party misconduct.

At the same time, OIG's audit coverage in 2017 indicates that important challenges remain in a number of areas that are essential for the Organization's transformation to be sustained and greater efficiencies achieved (summarized in FAO Risk Exposure and Trends, Paragraph 10).

As at February 2018, OIG had two vacant professional posts (two internal auditor posts) and actions to fill these posts were underway.

OIG would like to express its deep appreciation to all levels of FAO staff and management contacted in the course of its work, for their support and positive responses, cooperation and assistance throughout the year, despite their own challenging responsibilities and workload.

Office of the Inspector General

Annual Activity Report 2017

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ANNEXES

I. Introduction

1. This report to the Director-General provides a summary of the oversight activities of the Office of the Inspector General (OIG) during 2017. In accordance with the Organization's oversight arrangements, this report is also made available to the FAO Audit Committee and the Finance Committee, and thereafter is made publicly available through the Organization's website.

II. Mandate and Mission

2. OIG has responsibility for internal audit, which includes monitoring and evaluating the adequacy and effectiveness of the Organization's system of internal controls, risk management, financial management and use of assets. OIG is also responsible for investigating allegations of misconduct by FAO personnel, implementing partners and vendors in the context of FAO programmes and for conducting independent reviews under the grievance mechanism of FAO's Environmental and Social Safeguards Policy. OIG draws on its audit and investigation expertise to conduct fact-finding inspections of specific events or activities, to support Senior Management decision-making. OIG's Charter is incorporated as Appendix A to FAO Administrative Manual Section (MS) 107.

3. Together with FAO's Office of Evaluation (OED), OIG provides comprehensive internal oversight coverage for the Organization. The External Auditor, with whom OIG cooperates, provides complementary external oversight.

4. OIG provides the Director-General and the Organization's functions and programmes with analyses, recommendations, counsel and information concerning the activities reviewed. In so doing, it seeks to identify opportunities for improving the efficiency and economy of operations, while promoting control at reasonable cost. OIG also promotes initiatives to strengthen the integrity of FAO's operations and to ensure a robust response when instances of fraudulent or other corrupt practices are detected.

5. OIG's vision is to serve FAO by delivering on its mandate with professional independence, integrity, quality and efficiency.

6. OIG follows the International Standards for the Professional Practice of Internal Auditing, promulgated by the Institute of Internal Auditors, a global professional body. For its investigative work, OIG follows the FAO Guidelines for Internal Administrative Investigations, which are based on the Uniform Guidelines for Investigation, promulgated by the Conference of International Investigators of the United Nations (UN) System and Multilateral Financial Institutions. Both sets of standards have been adopted by audit and investigation services across the UN System.

7. The Director-General and the Inspector General receive independent advice on the effectiveness, including the adequacy and quality, of the internal audit and investigative functions of OIG from an Audit Committee comprising senior audit and/or investigation professionals, who are fully external to the Organization. The Terms of Reference of this Committee are incorporated as Appendix C to MS 146.

III. Statement of Independence

8. During 2017, OIG undertook its professional activities independently within the Organization. OIG consults with management when planning audits, but no unacceptable limitations of scope were encountered during the course of its audits, or in its inspection, investigations or related activities.

IV.   Discretionary Reports to the Finance Committee

9.   OIG's Charter states that, at the discretion of the Inspector General, any audit report or any other issue may be submitted to the Finance Committee together with the Director-General's comments thereon and be made available to other interested Member States. No such reports, additional to the Annual Report, were submitted in 2017.

V.   FAO Risk Exposure and Trends

10.   In 2017, FAO advanced the implementation of transformational changes aimed at further strengthening and enhancing the delivery and impact of programmes, incorporating lessons from 2016. OIG notes the positive results, as well as challenges from its work in 2017, the highlights of which are noted below:

Strategic Framework rollout in Decentralized Offices: Overall, audited Decentralized Offices (DOs) performed reasonably well in their progress towards implementation of the Strategic Framework. The Strategic Framework was qualified as a structure that provides legitimacy for FAO in the development community and serves as a unifying framework for accountability and reporting results. Areas for improvement include: the timeliness and completeness of guidance, the process and purpose of selecting Focus Countries, the capacity and resources available to implement the Framework, the tools and systems provided by headquarters, the additional workload and the utility of the Framework to help with country-level Resource Mobilization (RM). A common underlying cause of these issues was the FAORs' perception that the Framework was designed and managed using a top-down approach without regular consultation with Country Offices (COs) and without full awareness of country programming. To improve the efficiency and effectiveness of Strategic Framework implementation, there is a need to:

- improve the preparation and issuance of corporate guidance;
- develop a master plan for Strategic Framework implementation, including an outline of what   will prospectively constitute the optimized Framework and how it will operate when implementation is fully concluded;
- clarify managerial and operational roles and requirements;
- institutionalize the assessment of skills mix and post profiling to support the development and arrangement of the delivery mechanisms;
- define clear linkages and verification of outputs against delivery mechanisms, supported by a holistic and iterative process to balance field programmes and output commitments with technical capacity and available resources to ensure an effective and economic allocation of resources and to avoid a fragmented project portfolio; and
- improve integration of the various corporate information systems (PIRES, FPMIS, iMIS and GRMS).

Environmental Funds' portfolio management: The FAO-GEF portfolio is the largest resource partnership supporting the Organization's climate change and environmental protection activities. A corporate strategy for developing and managing the FAO-GEF portfolio has not been well defined and documented. OIG encourages greater synergy with the various other environmental funds such as GCF and UN-REDD. Consolidating programme development and operations under one umbrella would strengthen synergies between portfolios and improve efficiency, which Management has followed up on. There is also a need to:

- review all roles and responsibilities to ensure segregation of the implementing and executing roles; and
- develop standard operating procedures to better guide day-to-day activities and improve long-term capacity planning.

Segregation of duties management: Over the past few years, OIG has consistently highlighted the lack of proper system-access control and therefore the ineffective segregation of duties as a fundamental internal control gap in FAO's control environment. In addition, FAO does not have a comprehensive segregation of duties policy such as those present in other organizations. Specific lists to manage access and approval rights to the various information systems do exist, however, they are incomplete and not systematically enforced.

SDGs and UN Reforms: The 2030 Agenda for Sustainable Development (2030 Agenda), including the 17 Sustainable Development Goals (SDGs), contains global objectives that succeeded the Millennium Development Goals on 1 January 2016.[1] In its role as a custodian agency, FAO has been active in the technical aspects of target indicator refinements and statistical discussions surrounding the SDGs, which aims to ensure that Member States have an agreed-upon methodology and data sources to report back on progress. In its role promoting transformational policy dialogue, FAO is assisting member countries in establishing the SDGs in national programmes. These two roles require institutional readiness, structure, roadmap and resources at all levels focusing on proving sufficient capacity to the DOs, which are key in assisting the member countries. Coming UN Reforms may add additional complexity to FAO's position as a specialized agency in assisting member countries in implementation of the SDGs.

Evolution of ERP: Oracle was initially implemented at FAO in 1999 and has therefore been in use for 18 years. According to different technical sources, an ERP's lifespan may range between ten to 15 or even 20 years, after which technological and organizational changes would normally require a change. The current version of Oracle will be supported until 2021, after which FAO will have to migrate to another version. There is a high likelihood that at that time cloud-based solutions (or other emerging technology) will be the market standard, requiring FAO (or making it highly advisable) to consider a change of platform. Oracle is already developing a cloud-based system, which will become their preferred version. In such a situation, the cost of maintaining a highly customized ERP may be prohibitive. The migration to a new ERP is a highly complex and strategic decision that needs to be carefully assessed and planned, taking into account the investment already made in Oracle, as well as the value of other alternatives. The ERP Steering Group may wish to consider starting to plan that process by conducting an analysis of future options: staying with Oracle, moving to the cloud version or conducting market research for other potential products.

Procurement and Letters of Agreement: OIG identified several control weaknesses in the processes aimed at ensuring the technical quality and appropriateness of procured goods:

- the role of Lead Technical Officers (LTOs) and headquarters technical experts in procurement is not well defined;
- lack of clarity among all personnel involved about who is required to review and clear technical specifications;
- no system is in place to easily and clearly identify the technical experts at FAO who possess the expertise, authority and responsibility to develop and clear technical specifications for definite types of goods;
- no clear accountability framework is in place to support the development or review and clearance of technical specifications by headquarters technical divisions (HQTDs); and
- risks of fraud and corrupt practices are high during the technical evaluation of vendor offer phase.

A concerted effort from CSAP, the HQTDs under DDN and TC is required to resolve the identified problems.

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[1] Include reference to the General Assembly resolution.

As regards the use of **Letters of Agreement (LoA)**, OIG acknowledges that the Organization, under CSAP's guidance, has made significant improvements in the management of LoAs since previous audits. However, OIG notes with concern that some of the deficiencies identified in past reviews continue to be unresolved. OIG recommends the following additional improvements:

- further clarify and narrow the scope of use of LoA, which should not be used to circumvent the Organization's rules on consultants and develop alternative tools as necessary;
- revise Service Provider (SP) selection procedures to strengthen the requirements for direct selection and increase the number of competitive selections;
- revise MS 507 to strengthen segregation of duties;
- establish a mechanism to monitor the use of LoA, including clear monitoring roles and responsibilities; and
- develop guidelines outlining essential and mandatory LoA-related documentation to be retained by FAO and the SPs.

In February 2017, the United Nations Secretary-General, Mr Antonio Guterres presented his report 'Special measures for protection from sexual exploitation and abuse: a new approach' outlining the strategy to improve the UN system-wide approach to preventing and responding to **sexual exploitation and abuse (SEA)** matters. In November 2017, the UN System Chief Executives Board for Coordination (CEB) established a Task Force on addressing sexual harassment (SH) in the UN system, under the leadership of the Chair of the High Level Committee on Management (HLCM) and Under-Secretary General for Management, Ms Jan Beagle. FAO has a policy of zero tolerance towards any form of SEA or SH and as part of a coherent and system-wide approach, committed to the Task Force Terms of Reference and working methods to address these issues. OIG commenced active participation as part of FAO's response to the formation of the Task Force's Technical Working Group and sub-groups and is dedicated to providing tangible measures to assist the Organization to address SEA and SH matters. FAO was one of twenty-six UN system entities to complete the questionnaire developed by the HLCM Secretariat and OIG provided detailed and technical responses on reporting mechanisms including: confidential and secure hotline, data collection, investigative capacity and policy formulation. Further, OIG provided a response to the Director-General regarding the formal reporting mechanism and statistical analysis for both SEA and SH complaints over the last five years. The figures indicated under-reporting of SEA and SH matters, consistent with data from other UN entities. As a result, after review of internal policies OIG proposed initiatives which now form part of an Organizational commitment and action plan to strengthen FAO's approach to the prevention of SEA and SH.

Country Office (CO) Management: OIG notes that there are many intertwined business functions at country level, e.g. strategic planning, communications and advocacy, RM, project design and implementation etc. However, these functions at headquarters level often belong to, or are shared by different units with limited coordination between them. While OIG makes recommendations to the specific business policy or process owners, OIG considers that coordination between units requires strengthening so that recommendations can be jointly addressed.

 The Country Programme and Advocacy section shows that 76 percent of COs audited are rated as Satisfactory or Some Improvement Needed in comparison with 59 percent of COs in the Capping Report covering the 2014–15 biennium. Key areas for improvement are in: RM, risk management and the monitoring and reporting of Country Programming Framework (CPF) implementation. The key underlying cause of the deficiencies was a lack of capacity in COs to support these processes and concepts and incomplete guidelines from the business process owners to DOs. OIG notes that Senior Management is preparing a new resource management strategy and new CPF planning and monitoring processes that should address some of these

issues. OIG has proposed three actions to management to address the remaining issues on communication, risk management, and monitoring function and process.

The Field Programme and Operations section shows that 72 percent of COs audited are rated as Satisfactory or Some Improvement Needed compared to 61 percent of COs in the Capping Report covering the 2014–2015 biennium. Key areas for improvement include the need to establish an adequate procurement function and procurement planning strategy, LoA management, inputs procurement, inventory and distribution activities and project implementation. The main causes of deficiencies in procurement and LoA management were inadequate capacity in COs to support the procurement function, there is a need to increase procurement and LoA training to ensure adherence to the Manual Section and to increase monitoring. Inventory and distribution management suffers from a lack of corporate-supported processes, resulting in ad hoc solutions being used. Project implementation issues resulting in slow delivery and regular no-cost extensions arise from an underlying lack of operational capacity and project management skills in COs, lack of corporate guidelines on project implementation and under-resourcing of the project cycle management unit in HQ (PCMU), which is responsible for implementing and monitoring the guidelines. OIG acknowledges that a number of corporate initiatives are in progress to address these issues. OIG has proposed seven actions to address issues related to technical quality assurance of project outputs, project management and monitoring.

Finance and Administration (F&A) Issues in Country Offices: Sixty-four percent of the 30 COs audited had their F&A controls assessed as Satisfactory, 33 percent as Major Improvement Needed and three percent (one office) as Unsatisfactory. Consequently, almost two thirds of the offices audited (19 of 30) were assessed as generally operating as intended in the area of F&A. Of the five areas included in the scope of OIG's F&A audits: two areas show marked improvement in the state of controls, Local Travel Management and Asset Management; two areas remain largely unchanged, Payment and Receipt Cycle, and Procurement and Contract Management; and one area has deteriorated, Human Resources. OIG continues to find similar issues to those identified in previous reports as the key causes of control weaknesses: insufficient operational embedding of the FAO Internal Control Framework and the FAO Accountability Policy; insufficient monitoring and guidance by headquarters' units; limited administrative capacity and resources; and gaps in procedural knowledge in the COs. The FAO Corporate Risk Log recognizes these risks and has identified mitigating actions.

11.   FAO management is aware of the above deficiencies and there are several pertinent ongoing Agreed Actions from prior reports which are key to addressing them.

VI.   Implementing the Risk-Based Audit Plan

Planning approach

12.   OIG follows a risk-based planning approach to identify and select its activities. Risks are identified and grouped in potential auditable entities (which are usually a process, function or location) representing different dimensions of how FAO implements its programmes and operations and manages related risks. This approach provides a more systematic basis for prioritizing internal audit work. The aim is to ensure that the management of the Organization's major risk entities is collectively covered by OIG, the Office of Evaluation and External Auditor, and independently reviewed within a defined cycle. In some cases risks are covered annually, in others over one or more biennia, with a target of completion for coverage of corporate high risks over three biennia. Given the dynamic nature of risks facing the Organization, OIG essentially maintains a rolling plan of coverage updated on an annual basis and more fully each biennium. Through its coverage of risks not reviewed by the other

oversight functions, OIG provides assurance over the implementation of risk management measures and advice on how these measures can be improved.

13.   In 2017, OIG's internal audit work aimed at completing the coverage proposed in its 2016–2017 Risk-Based Audit Plan (RBAP). This was developed at the beginning of 2016 taking into account inputs from management and the FAO Audit Committee, and thereafter concurred with the Director-General. Priorities within the plan were re-assessed regularly in 2017 and adjusted where necessary. The plan is based on a risk register, originally developed in 2009 in partnership with Deloitte and with input from management. It has been regularly updated to reflect emerging risks and changing risk priorities. In the course of updates, the ranking of some risks may be increased or decreased and some risks dropped or added based on emerging risks, action taken by management and new information. Implementation of the RBAP is monitored through periodic activity reports to the Director-General, and by the Audit Committee, which meets three times a year. In addition, the achievement of the planned coverage of risks continues to be a key performance indicator for OIG (see Annex H for details).

14.   As of 31 December 2016, the updated risk register identified 59 high-risk entities, of which three are covered by the Office of Evaluation. For the remaining 56 entities, 35 were included under planned audit assignments in the 2016–2017 RBAP. These 35 entities included eight which are covered on an annual basis (recurrent risks). Some of the remaining 21 entities were covered by OIG in 2014–2015 and the rest will be considered for inclusion in OIG's next planning cycle, together with those entities that were planned for review in 2016–2017 but were deferred until 2018 (see Plan Implementation below).

15.   As the Organization's risk management under the ERM project matures, OIG will modify its approach, using the results of risk self-assessments undertaken by management, as well as its own professional analysis to adjust and develop its future RBAPs.

Plan Implementation

16.   At the end of 2017, OIG had completed assignments that covered 21 of the 35 high-risk entities originally included in the 2016–2017 RBAP, while other assignments in progress (project cycle, data protection) covered three additional high risks. The remaining 11 high risks (including entities such as IT governance – which addressed four high risks and was cancelled upon CIO's request, cost recovery policy – covering two high risks, insurance, partnerships and business continuity) will be carried over to the 2018–2019 RBAP.

17.   OIG continued to devote substantial resources to review field activities in the areas of (i) governance, accountability and internal control systems, and (ii) programme and operations. OIG activities included audit missions to 15 DOs during 2017. As a subsidiary coverage goal, OIG aims to review all significant DOs at least once every three biennia, with larger offices and those with previous unsatisfactory audit results reviewed more frequently. At present OIG is on track to fulfil this goal for the three biennia 2012–2017 (see **Annex B**).

18.   OIG issued 46 audit, inspection and advisory reports and memoranda in 2017, 23 of which relate to DO audits. These reports provided management with assurance and advice. Summaries of results from audit reports issued in 2017 are provided in **Annex D**.

19.   During 2016, OIG implemented a new approach to replace audit recommendations with agreed actions, to build into the reporting process greater management ownership of the results. The reports issued in 2017 contained 283 agreed actions or recommendations at various levels to strengthen the Organization's risk management, internal controls and governance processes. The DO reports also raised 188 compliance points that managers in field offices needed to address.

VII.   Audit Recommendations/Agreed Actions and Resolution

20.   To improve accountability for implementation of audit recommendations, at the beginning of 2017 the DDO requested that OIG and CIO develop a new dashboard in the corporate system iMIS.

21.   The dashboard was launched in April 2017 and the office of DDO sends regular reminders on monitoring the outstanding actions to the ADGs, including Regional Offices (ROs), accountable for implementation of the agreed actions in their respective departments/regions. The statistics below represent reports from iMIS.

22.   As Figure 1 below illustrates, as at 30 March 2018, management had reported closure of 21 percent of the 2017 recommendations/agreed actions and initiated action to address a further 22 percent. Management continued its efforts to implement all remaining recommendations issued prior to 2017, having closed 51 percent of those made in 2016, 85 percent of all recommendations made in 2015[2], and more than 98 percent of those made prior to 2014. Eighty-nine recommendations issued in 2015 or before remain open for implementation. The information is based on auditee reporting, in some cases subject to OIG verification at the time, but often during a later audit of the unit/function.

Figure 1 – Overall status of audit agreed actions by year
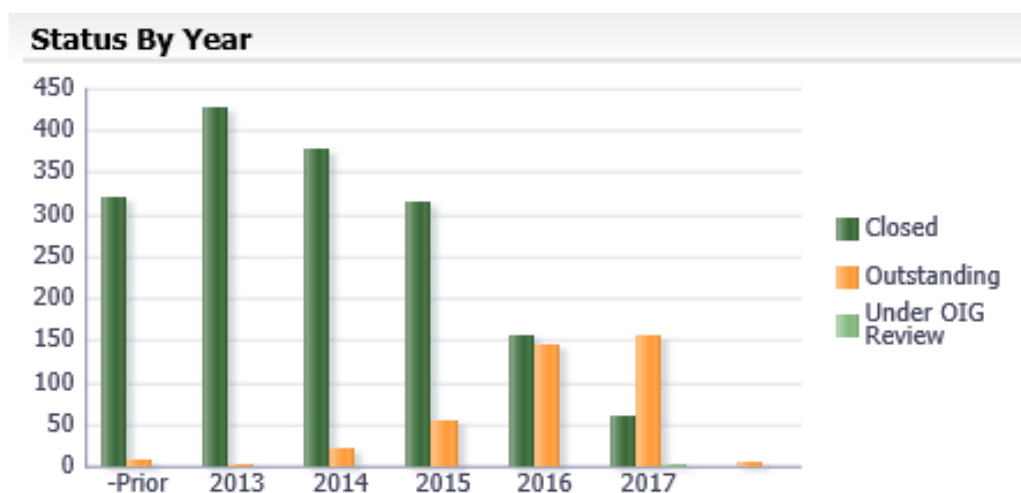
Overall Status	Prior[3]	2013	2014	2015	2016	2017	Total
Closed	320	428	377	314	155	59	1653
Under OIG review					1	3	4
Outstanding	8	2	21	56	145	207	439
Total	328	430	398	370	301	269[4]	2096

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[2] For OIG's performance indicator (10.2.A) as reported in the Organization's Medium Term Report implementation of recommendations relates to reports issued up to two years prior to the reporting date. The result as at December 2017 is therefore 85 percent, against a target of 93 percent.

[3] Only recommendations which were migrated into TeamCentral in 2012. The recommendations closed by the date of migration were kept outside of TeamCentral and are not shown in the statistics.

[4] The agreed actions reported in Figure 1 above do not include 14 recommendations made in the report AUD 1517 'Joint internal audit of delivering as One in Viet Nam' as FAO is not a leading agency so does not have a responsibility to follow up on these recommendations.

Figure 2 – Historical trend on implementation of agreed actions

	As of 31/12/17	As of 31/12/16	As of 31/12/15	As of 31/12/14	As of 31/12/13	As of 31/12/12	As of 31/12/11	As of 31/12/10
2008	100%	99%	99%	99%	98%	98%	92%	89%
2009	100%	100%	99%	99%	97%	92%	88%	68%
2010	100%	100%	99%	100%	99%	96%	86%	56%
2011	100%	99%	96%	97%	94%	82%	64%	
2012	99%	98%	92%	89%	68%	39%		
2013	99%	98%	92%	83%	43%			
2014	94%	90%	62%	33%				
2015	85%	66%	15%					
2016	51%	14%						
2017	21%							

Figure 3 – All recommendations issued by risk rating

Risks	Prior	2013	2014	2015	2016	2017	Total
High	42	17	8	15	24	38	144
Low	64	142	185	126	71	201	1334
Medium	222	271	205	229	206	30	618
Total	328	430	398	370	301	269	2096

Figure 4 – The long-outstanding agreed actions by risk rating
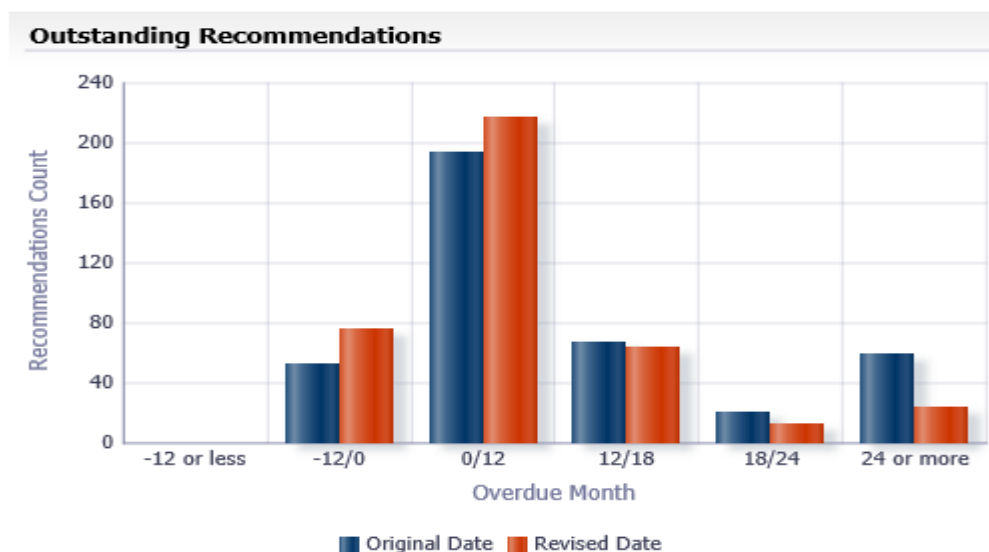
Risk by original date	2012	2013	2014	2015	Total
High	1	-	-	2	3
Medium	5	2	14	23	44
Low	1		7	7	15
Total	**7**	**2**	**21**	**32**	**62**

23.   There are two high-risk long-outstanding recommendations still not fully implemented by management, these relate to staffing structure and capacity of COs to implement their new budget holder responsibilities for the entire country programme, including emergencies in RAF and RAP (two actions).

More information is provided in **Annex E**.

VIII. Investigating Fraud and Other Misconduct

24.   OIG is responsible for promoting an environment of integrity throughout the Organization's operations through the detection and investigation of allegations or indications of fraud and other forms of misconduct by FAO personnel, partners or by contractors in relation to their business with FAO, and for the promotion of preventive measures. Investigation results are captured in order to develop lessons learned and to recommend procedural and policy changes that enhance integrity within FAO. OIG provides advisory services on integrity-related matters and also assists in the conduct of other fact-finding inspections requiring legal or investigative expertise.

Investigation Process

25.   OIG's mandate includes investigating allegations of: misconduct, fraud and other corrupt practices; retaliation against FAO personnel who report wrongdoing or cooperate with an OIG audit or

investigation; and sexual exploitation and abuse. This was expanded in 2015 to include cases of workplace harassment and responsibility for administering the Grievance Handling Mechanism as part of the Organization's Environmental and Social Management Guidelines.

26.   Cases of staff misconduct are investigated pursuant to FAO's Guidelines for Internal Administrative Investigations, as revised in 2017. Specific timelines are applicable to different kinds of cases within OIG's mandate, each being set out in the Organization's policies governing the particular conduct in question. In all cases, allegations received by OIG are subject to a preliminary review to determine whether the matter falls within the office's mandate or should be referred to another division within FAO or to another organization. For those falling within OIG's mandate, the preliminary review assesses whether there are sufficient grounds to initiate a full investigation. In cases where OIG conducts a full investigation, OIG reports its conclusions on whether the allegations are substantiated to the Director-General (for senior staff) or the delegated authority in other cases (Assistant Director-General, Corporate Services or Director, OHR since the change in MS 330) for a decision on what, if any, administrative action is to be taken. This includes disciplinary procedures pursuant to FAO Manual Section 330.
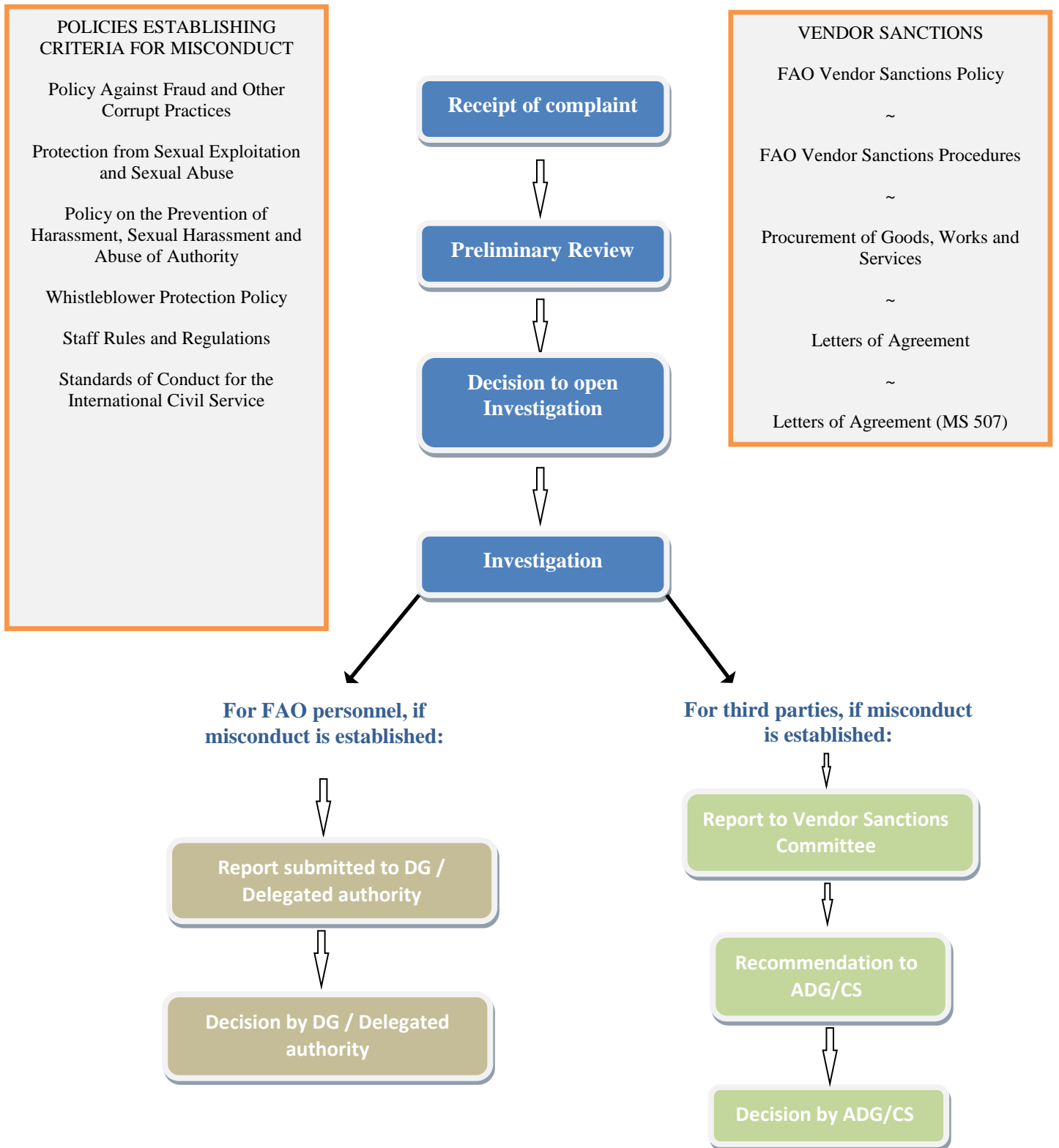
27.   Allegations of fraudulent and corrupt activities by third parties (i.e. vendors, suppliers and implementing partners) involved in the Organization's programmes and operations are reviewed to protect the Organization and to promote the full benefit of FAO programmes and projects to affected populations. These cases are subject to a preliminary review to determine if there are reasonable grounds to believe a sanctionable action has occurred. Where OIG finds a third party engaged in sanctionable actions, the investigation results and a request to begin sanctions proceedings are prepared and sent to FAO's Vendor Sanctions Committee. The Committee decides whether to open a sanctions procedure, and if opened, evaluates OIG's report and the vendor's response before making a recommendation to the ADG/CS on whether to sanction the third party in question.

28.   Reviews of complaints made under FAO's Grievance Mechanism, of non-compliance with FAO's Environmental and Social Standards follow a similar process to that outlined above. Allegations of non-compliance are evaluated to determine if they relate to projects associated with the Organization. In those cases where a connection with the Organization is found, a public comment period is opened, after which OIG launches an inspection to evaluate the situation in the field. A report is then prepared and submitted to the Director-General for consideration and decision.

29.   Where OIG makes adverse findings against FAO personnel or third parties, it recommends that management take appropriate administrative action, with the action determined by management. Disciplinary actions regarding FAO personnel can include suspension without pay, demotion and dismissal. Actions against third parties can include reprimand, conditional non-debarment, debarment and the recovery of amounts lost due to the third party's malfeasance. OIG may also recommend the temporary suspension of vendors to protect the interests of the Organization in third-party cases before a final recommendation is made. OIG's responsibilities pursuant to the Whistleblower Protection Policy include recommendations on measures to protect whistleblowers, such as the suspension of a potentially retaliatory decision. At the conclusion of these cases, OIG may also recommend that corrective actions be taken for those who cooperate with OIG audits and investigations and have been subject to, or are at imminent risk of retaliation.

30.   To ensure that cases are appropriately prioritized, OIG employs a triage system. Prioritization is based on (i) the gravity of any negative effect on FAO's operations and objectives; (ii) effect on FAO's finances; (iii) effect on FAO's reputation; and (iv) other facts including the ability to deter future wrongful practices, the resources required to undertake the investigation and the likelihood of resolution. An overview graphic of the investigative process is provided in Figure 5 below.

Figure 5 – Summary Overview of the OIG Investigative Process

POLICIES ESTABLISHING CRITERIA FOR MISCONDUCT

Policy Against Fraud and Other Corrupt Practices

Protection from Sexual Exploitation and Sexual Abuse

Policy on the Prevention of Harassment, Sexual Harassment and Abuse of Authority

Whistleblower Protection Policy

Staff Rules and Regulations

Standards of Conduct for the International Civil Service

VENDOR SANCTIONS

FAO Vendor Sanctions Policy

~

FAO Vendor Sanctions Procedures

~

Procurement of Goods, Works and Services

~

Letters of Agreement

~

Letters of Agreement (MS 507)

Receipt of complaint

Preliminary Review

Decision to open Investigation

Investigation

For FAO personnel, if misconduct is established:

Report submitted to DG / Delegated authority

Decision by DG / Delegated authority

For third parties, if misconduct is established:

Report to Vendor Sanctions Committee

Recommendation to ADG/CS

Decision by ADG/CS

POSSIBLE DECISIONS

Possible outcomes for FAO personnel under staff rules include written censure, suspension without pay, demotion, dismissal for misconduct and summary dismissal for serious misconduct.

Possible outcomes for third parties include reprimand, conditional non-debarment, debarment with conditional release, debarment, restitution or remedy for losses and any other sanction the Vendor Sanctions Committee deems appropriate.

Investigation Case Load Management

31.   OIG began 2017 with 48 open cases, comprising 80 allegations. During the course of the year, OIG received 76 new complaints (comprising 116 allegations) and 45 requests for consultations/advisory services. OIG was able to close 69 complaints (comprising 129 allegations) and 27 consultations/advisory requests, including those carried over from the previous year(s).

32.   With regard to consultations/advisory services, OIG's workload increased significantly. To ensure accountability, effectively track the use of its resources, and manage its growing non-case workload (referred to as NCs), OIG began consistently recording such matters. NCs comprise advisory matters, special requests for reviews, joint activities with the Audit unit, policy reviews and other tasks which arise from or relate to OIG's investigative mandate. The latter may include the provision of input into funding agreements, contributions to thematic reviews and harmonization efforts within the UN community and awareness raising. Furthermore, a substantial portion of NC workload comprised of providing investigation services to sister agencies. Of the 40 NCs reviewed, the majority were advisory requests, including requests for expert IT forensic review of possible breaches of FAO IT resources. OIG investigators and auditors also teamed up to conduct a proactive integrity review in Somalia.

33.   Figure 6 below provides an overall view of complaints during the year and comparison with the four previous years:

Figure 6 – Case Load Disposition

Case Load	2013	2014	2015	2016	2017
Complaints Carried over from previous years	20	27	35	35	48
New Complaints	62	64	81	103	76
Subtotal	82	91	116	138	124
New Consultations / Advisory services	26	27	16	9	45
Total Matters (Cases & Consultations)	108	118	132	147	169
Complaints Closed	65	53	79	91	69
Consultations / Advisory services Closed	16	30	16	8	27
Ending Case Load	27	35	35	48	73

Origin of complaints

34.   As indicated in Figure 7 below, OIG consistently receives the majority of complaints from FAO personnel, followed by third parties, internal referrals of matters detected during OIG's audits, inspections and advisory work, and from anonymous sources.

**Figure 7 – Source of Complaints in 2017**
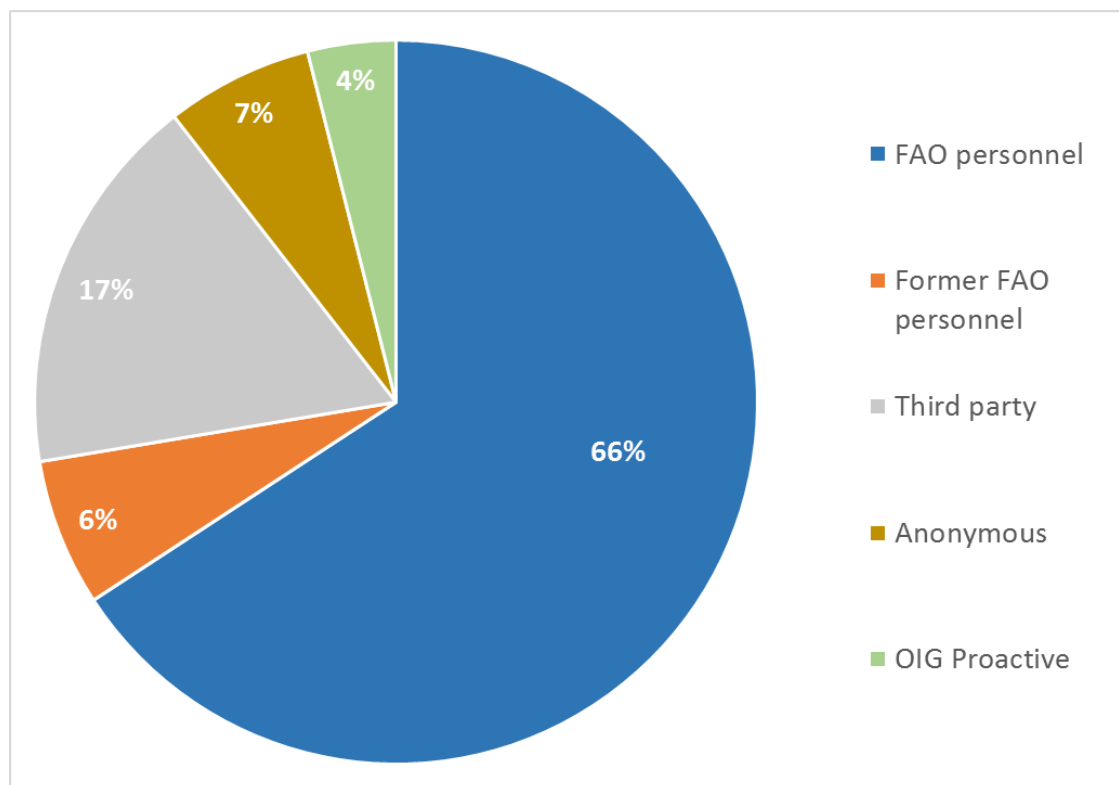
Types of cases

35.   The chart in Figure 8 below shows the types of allegations received during 2017. It is important to note that an individual complaint received by OIG may include multiple allegations. The initial classification of allegations is based on the preliminary information OIG receives. Over the course of an investigation, OIG may modify the classification as more information becomes available.

36.   The Grievance Handling Mechanism as part of the Organization's Environmental and Social Standards was only introduced in early 2015, and requires exhaustion of prior steps at project and Organizational level before complaints are lodged with OIG. As at the end of 2017, OIG had not received any complaints under this Mechanism.

37.   Allegations of misconduct which fall within OIG's other investigative mandate areas are broadly divided into the following categories:

- procurement-related fraud and other corrupt practices;
- fraud and other corrupt practices, not related to procurement, covered by the Organization's "Policy Against Fraud and other Corrupt Practices";
- sexual exploitation and abuse, as defined in the Organization's policy on the, "Protection from Sexual Exploitation and Sexual Abuse (PSEA)";
- harassment as defined in the Organization's "Policy on the Prevention of Harassment, Sexual Harassment and Abuse of Authority";
- retaliation, as defined in the Organization's "Whistleblower Protection Policy"; and
- other unsatisfactory conduct including favouritism, conflict of interest, misuse of resources, and causing damage to the reputation of the Organization, as described in FAO's Administrative Manual Section 330 and the Standards of Conduct for the International Civil Service.

Figure 8 – Type of Allegations of Misconduct Received
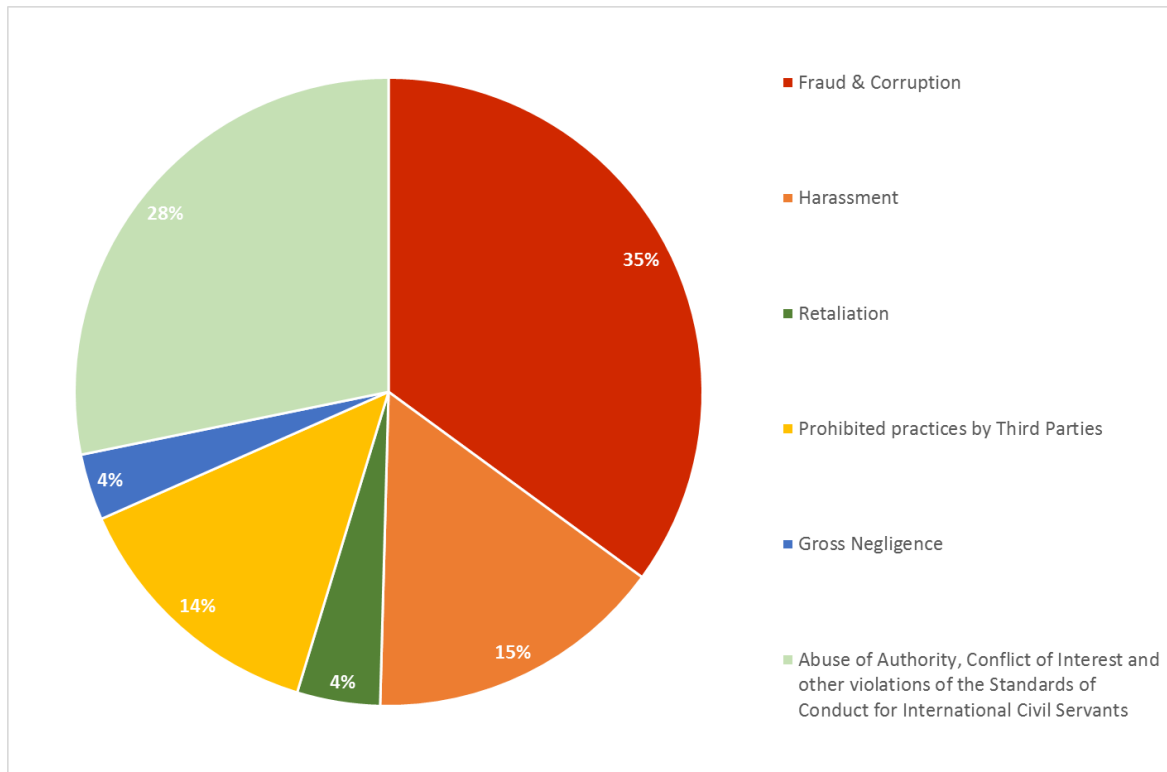
Outcome of cases

38.   An OIG investigation will conclude on whether the allegations are:

- substantiated – the evidence gathered is sufficient to establish that the allegation is true, and fraudulent activity or misconduct occurred;
- unsubstantiated – the evidence gathered is insufficient to establish that the allegation is true, and fraudulent activity or misconduct occurred; or
- unfounded – the evidence is reasonably sufficient to conclude that the allegation is not true and no fraudulent activity or misconduct occurred.

39.   Figure 9 below shows the results according to these conclusions for all 69 cases closed in 2017. During the course of a preliminary review or full investigation, OIG may establish sufficient evidence to show that the allegations are unfounded, thus clearing FAO Personnel or a third party of any wrongdoing. This is an equally important outcome for the Organization, for FAO Personnel and the third party.

Figure 9 – Outcome of complaints concluded in 2017
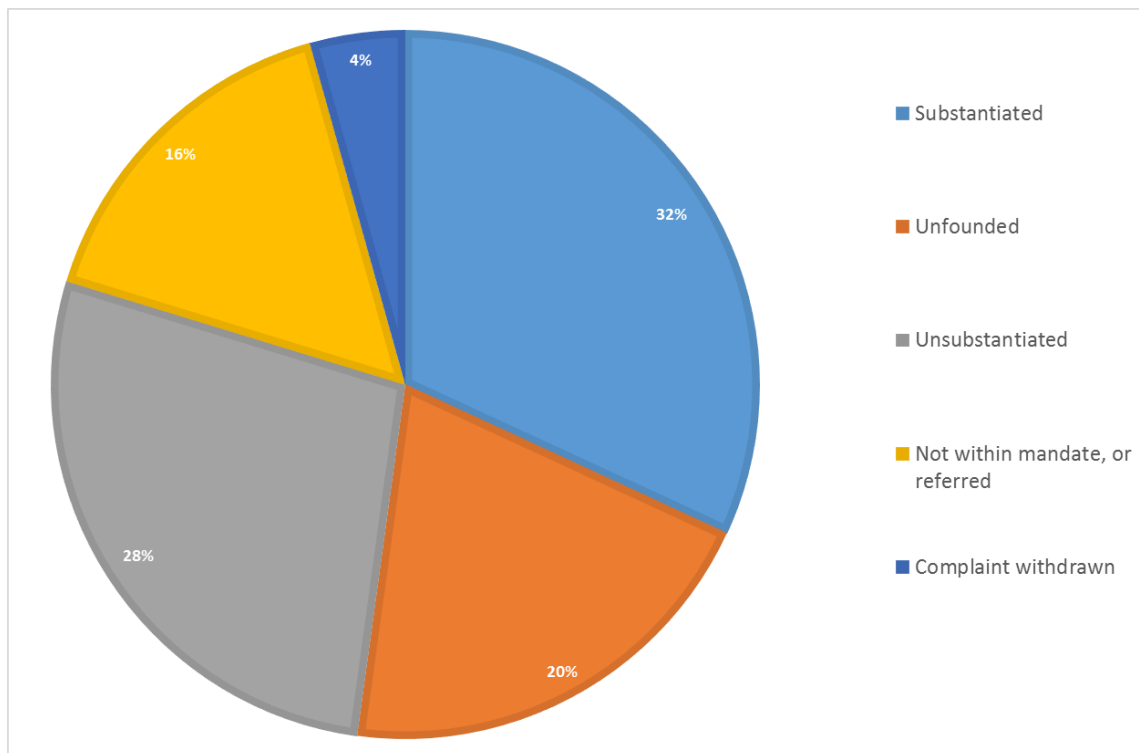
40.   Of the 69 cases closed in 2017:

- twenty-two were closed as substantiated following investigative action by OIG;
- fourteen were closed as unfounded following a determination that no wrongdoing had occurred (i.e. the allegation is not true and no fraudulent activity or misconduct occurred);
- nineteen were closed as unsubstantiated;
- eleven were referred to other divisions within FAO as they were either outside of OIG's mandate or alternative measures could be taken to address the concerns raised by the complainant; or in the absence of sufficient information to warrant investigation at this time, were referred to OIG/AUD for consideration in a future audit; and
- three complaints were withdrawn by the complainants during the preliminary review.

41.   OIG's target is to close complaints within six months of receipt. The average number of days between receipt and closure of complaints in 2017 was 174 (i.e. 5.8 months).

42.   OIG issued 12 investigation reports in 2017 broadly covering cases of fraud in procurement or project implementation, sexual exploitation and abuse, harassment, conflict of interest, fraud and whistleblower protection. OIG also issued 13 memoranda where an investigation was carried out and a full investigation report was not required, or the allegations were not substantiated, but conclusions and/or observations needed to be conveyed to management.

43.   Of the investigation reports with recommendations involving FAO personnel, two are pending final decision, while for the remaining reports the Organization has taken appropriate administrative action, including disciplinary measures. One of the investigation reports issued in 2017 was submitted to FAO's Vendor Sanctions Committee, together with a request to begin sanctions proceedings. The resulting case is still pending before the Committee. In addition, OIG submitted three requests for temporary suspension of a vendor in 2017, all of which were granted by the Committee. The

investigations in these cases have come to an end and reports are being prepared for submission to the Committee.

44.   Most investigations completed in 2017 related to allegations in DOs – eighty-five percent in DOs and fifteen percent in headquarters. Investigations in DOs tend to be more resource intensive compared to headquarters-based cases in terms of staff time as well as travel, contributing to a greater investigative workload for the unit. Moreover, 2017 showed an increase in investigations relating to allegations of harassment which are more time consuming as they typically rely on testimonial evidence.

45.   The following summary provides representative examples of cases completed in 2017:

- **Case 1:** OIG conducted an investigation into allegations that a senior officer had abused her authority by requesting loans from her subordinates, and neglected personal financial debts by failing to repay monies owed to her subordinates, an official of a UN counterpart and to FAO. OIG fielded a mission to interview the personnel in question and to review relevant documentation. OIG concluded that the allegations were substantiated. The staff member was subject to disciplinary action and has been separated from the Organization.
- **Case 2:** A former consultant in an FAO office alleged that the early termination of her contract amounted to retaliation as a result of a complaint of harassment she had previously lodged against her then supervisor. OIG fielded a mission to the office, and upon review of relevant evidence, concluded that the termination of the contract would have occurred irrespective of the harassment complaint and for legitimate reasons, and consequently that it was not an act of retaliation.
- **Case 3:** OIG investigated a series of allegations of fraud and conflict of interest involving FAO personnel and an implementing partner. The investigation included allegations that an FAOR knowingly approved fraudulent documentation for expenditure by the office to the benefit of a subordinate and an implementing partner. OIG fielded a mission to the CO and concluded that the FAOR had engaged in fraudulent activities and had an undisclosed conflict of interest with the implementing partner. The FAOR was subject to disciplinary action and has been separated from the Organization. OIG also concluded that another FAO personnel had an undisclosed conflict of interest. This individual resigned before any administrative action was taken. OIG found that a third, former FAO personnel had engaged in fraudulent activities and a note was placed in this individual's file.
- **Case 4:** OIG investigated allegations that a staff member in a CO had been impersonating a vendor to induce the office to purchase items at an inflated rate. OIG's investigation determined that the staff member engaged in the fraud by creating false invoices for an actual vendor with inflated totals and then placing an order with that vendor for that inflated amount. The staff member was subject to disciplinary action and has been separated from the Organization.
- **Case 5:** OIG conducted an investigation into allegations that a staff member in a CO submitted fraudulent invoices as part of multiple medical insurance claims. OIG concluded that the staff member had engaged in fraudulent activities. The staff member was subject to disciplinary action and has been separated from the Organization.

IX.   Inspections and Other Advisory Services

46.   In addition to scheduled audits and investigations responding to allegations of misconduct, OIG undertakes inspections on particular subjects or events to clarify facts or provide information for management decision-making. Annual workplans include provision for additional work outside the risk-based priorities by audit or investigation staff. These may be to conduct inspections of particular events or activities at management request or as part of proactive reviews. In 2017, OIG completed the following inspections:

- **Inspection of high-cost NSHR** – OIG conducted an inspection of high-cost Non-Staff Human Resources (NSHR, Consultants) contracts. OIG identified non-compliance in the management of the contracts, the justification for the selection and honoraria, Quality Assessment Reports (QAR) were not available in the system and the Director-General's approval of a waiver for maximum rates was not available. Finally, the maximum number of days allowed to work per month (26) was exceeded 14 times in some cases. OIG notes that some of the weaknesses and compliance issues identified in the inspection are pervasive in the use of NSHR within the Organization, as documented in OIG's report on the audit of NSHR policies and procedures – AUD2615. Following this inspection, OHR issued new guidelines for the recruitment and evaluation of consultants which addressed the shortcomings OIG identified.

- **Inspection of service-incurred incidents** – Service-incurred incidents are governed by MS 342 and related cases are managed by OHR and CSDM, with the support of an Advisory Committee on Compensation Claims (ACCC) if warranted. OIG's review aimed at determining whether: (i) the cases were eligible as per FAO rules (MS 342); (ii) sufficient supporting documentation for each case was available; and (iii) the FAO units involved in the management of the cases (OHRS and CSDM) had performed reasonable controls over the respective claims. OIG concluded that the cases reported by OHR were in compliance with MS 342. However, some of the cases are illustrative of the weaknesses in the current policy (MS 342) and related controls that may result in the Organization paying unreasonable medical costs in some cases. In particular, one case illustrated the lack of clear criteria to limit the duration of certain benefits, another case illustrated the problems with the sufficiency of documentation to support decisions and a third case illustrated the disparity between the level of engagement of the beneficiary with FAO and the cost of the claims, also considering that the Organization had no responsibility for the accident. OIG made several recommendations for improvement: clarifying criteria and hardening prerequisites concerning eligibility of cases and duration of benefits; evaluating the possibility of limiting coverage for non-staff members; strengthening controls over claims; improving filing of records; and establishing cost-effective fraud-specific preventive and detective controls such as spot checks and independent confirmation of medical claims.

- **Inspection of rental subsidy** – DDO asked OIG to conduct an inspection of 15 cases of the highest rental subsidies paid by the Organization to staff members stationed in field duty stations. Rental subsidy is governed by MS 308. OIG concluded that the cases reviewed were generally in compliance with MS 308; however, partial non-compliance was identified in five cases, including one in which a staff member certified his own rent as reasonable. Notwithstanding the above, despite the appearance of general compliance, OIG found that in most cases the certifying officers' judgement that the rents were reasonable is questionable. The process applied to date is ineffective; it does not ensure that unreasonable rents are identified and rejected. This is because: the criteria specified in MS 308 to determine the reasonability of dwellings are insufficient to properly assess all circumstances; MS 308 does not require the certifying officer to support their decision/analysis with documentary evidence, in some cases certifying officers make a rather superficial analysis; SSC only checks eligibility for the subsidy and that the required documentation has been submitted. MS 308 does not require SSC to assess the reasonability of the rent, or the certification made by the responsible officer (nor is it checked by any other department); in many locations, maximum reasonable rent levels are not established; and the policy does not address situations where rent costs increase significantly in a specific period due to exceptional circumstances (usually security-related) and subsequently return to lower levels. OIG acknowledged and supported the new approach proposed by DDO for the management of rental subsidy requests in the future, including new clearer templates to manage the requests. OIG recommends that due consideration be given to those staff members who may have binding rental contracts, or long notice periods and whose subsidies were regularly approved.

- **Fact-finding mission on FAO Somalia** – OIG fielded a mission, including the Inspector General, to the FAO Somalia offices to clarify the events leading up to the Federal Government of Somalia's (FGS) issuance of a note verbale declaring the FAOR in Somalia,

persona non grata. The mission met with over 30 individuals representing different donors to FAO's Somalia programme, various FGS and federal member state ministries, and FAO Somalia personnel. The mission concluded that the situation leading up to the note verbale demonstrated a need for better coordination within the various levels at FAO (headquarters, RO, CO) working in Somalia. Complications in sharing information prevented those individuals that would have been in a position to address concerns the FGS was raising from doing so in a timely manner. Importantly, the FGS directed its decision at an individual and not at FAO as an institution.

- **Review of METRO cards** – METRO is an international self-service wholesaler targeting wholesale quantities and prices to registered customers, or members. Each member is generally provided with a membership card which entitles him/her to enter and purchase goods from various METRO storefront locations. OIG found no evidence of abuse of the tax-free privileges granted to FAO and authorized staff members. OIG was unable to determine the physical location of four of the six cards; nor could we identify who had last used them. OIG recommended that management cancel all METRO cards.

- **Review of Partner Assurance** – OIG was contacted to carry out targeted assurance work on an LoA signed in 2016 with a partner. OIG was requested to review compliance of the Service Provider (SP) with stipulations in the LoA with regard to the distribution of inputs to beneficiaries. Based on the documentation provided and further field verification by third-party monitoring, OIG believed that the audit evidence obtained was sufficient and appropriate to provide a reasonable basis for an unqualified audit opinion on the completeness of distribution of solar powered pumping systems by the partner. This assurance however was qualified by the limitation in scope of OIG to carry out its own verification with the beneficiaries meaning OIG had to rely on third-party monitoring.

- **Risk Assessment and Implementing Partner Due Diligence Tools for FAO's Operations in North-East Nigeria** – TCE and FAO Nigeria contacted OIG to provide advisory services and support in developing the following tools to manage due diligence: Risk Log and Risk Mitigation Framework; processes and tools to carry out Implementing Partner Due Diligence assessments and to improve controls over their ongoing activities. In February 2017, OIG travelled to the FAO Representation in Abuja and the sub-office in Maiduguri, Borno, to kick-start and facilitate the preparation of these tools, provide best practice examples and advise on feasibility and practicability, as well as on utilization and adequate procedural controls. OIG reviewed pertinent documentation, held risk-assessment workshops with FAO Nigeria and TCE staff, and met with external stakeholders including implementing partners and government entities as well as UN Agencies and donors (COOPI, ECHO, OCHA, and WFP). Based on the above work, OIG, together with the designated focal points from FAO Nigeria and TCE, prepared the following initial set of tools and documents: Risk Log and Risk Mitigation Framework; Implementing Partner Due Diligence checklist; and Outsourcing cycle (process workflow considerations).

- **Duration of the disciplinary process** – OIG was also requested to identify: (A) possible changes to MS 330; as well as (B) other possible changes aimed at contributing to a speedier handling of cases of misconduct by FAO personnel. On the latter, OIG proposed changes to: (1) the Guidelines for Internal Administrative Investigations by OIG (the Investigation Guidelines); (2) the Policy Against Harassment, Sexual Harassment and Abuse of Authority (the Policy Against Harassment); and (3) the introduction of Guidelines for the disciplinary process.

- **Segregation of duties in FAO's administrative and financial processes** – Over the past few years, OIG has consistently highlighted the lack of proper system-access control and ineffective segregation of duties in FAO's control environment. The first action to resolve this would be to develop a segregation of duties matrix that lists all current roles and identifies the combinations of roles that are incompatible in all cases. The matrix should also identify other combinations of roles that, although ideally should be segregated, could under certain circumstances be combined, as well as the compensatory controls required in such cases. Particular attention should be given to COs which, by their size, have more problems in

ensuring proper segregation of duties. It is highly recommended that specific segregation of duties matrixes for COs of different sizes are developed and to develop compensating controls where complete segregation of duties is not feasible, or would be too costly.

- **Commissary closure** (three reports) – OIG managed an external review of the Commisary before its closure. The report identified many significant weaknesses in the operation of the Commissary and in the related managerial function. Of the many issues reported, OIG would like to highlight the following:

    o *Deviation form original purpose:* The report concludes that Commissary management oriented the Commissary's operations primarily to the achievement of financial self-sustainability. As noted in OIG's report AUD 2616, the lack of an explicit Commissary mission statement (beyond the very generic mandate delineated in MS 103) and the tacit agreement by former management throughout many years about the orientation of the Commissary business model are the root causes of this situation.

    o *Lack of adequate operational procedures:* The report concludes that the majority of core operational procedures at the Commissary were not in line with sound business practices including, purchasing procedures, which had been reiterated in several OIG reports since at least 1993; and inventory management procedures were not fully effective. This had also been repeatedly reported by OIG since at least 1999.

    o *HR Management and Staffing:* The report concludes that the assignment of personnel to the Commissary was not driven by the individual's skills. OIG believes that this has been a root cause of the weak control environment at the Commissary for many years

    o *Outsourcing management:* The report notes that while the decision to outsource part of the Commissary's work to an external contractor was sound from a financial point of view, the award of this contract was arranged without organizing a tender, using the existing contract for cleaning services. In retrospect, this decision contributed to the deterioration of the control environment at the Commissary, evident by the sharp increase in losses after the contractor's appointment. OIG is still following up on individual findings from the report.

- **FAO official transactions in Azerbaijan**, OIG provided an opinion on whether FAO should maintain business relationships with certain counterparties.
- **Inspection following a security alert on a hacking tool**: OIG established that a staff member with an IT role had downloaded a hack tool, the file "Mimikatz.rar" using FAO's computer and uncompressed it. Although it might not have been the staff member's intention to enable the hacking tool on his computer and use it against the Organization or its personnel, the sequence of commands executed on his computer is consistent with someone attempting, or testing, to hack a computer and access users' credentials.

47. In addition, OIG issued three audit memoranda for management attention, one on Commissary write-offs and another two on accounts payable write-offs.

48. OIG is a permanent member with observer status of three internal committees (overseeing investments and the Credit Union). In 2017, OIG also participated in two ad hoc inter-departmental working groups dealing with the development of an internal control framework and new operational modalities.

49. OIG responded to more than 40 other requests for short duration advisory and consulting services during 2017. These included comments and advice on the establishment of monitoring activities of outposted CSF officers; development of a corporate fraud risk-assessment matrix, concept

note for the restructuring of the FAO Somalia office; new PAGODA template; EU verifications and Residual Error Rate (RER); capacity building and Budget Holder training programmes; OPIM micro assessment; corporate information systems; policy on cash transfer projects; business continuity plan FAO Turkey; new partnership agreements; reviews of a number of project agreements and audit clauses in various draft donor contracts; and legal templates and Administrative Manual updates.

50.   OIG provided advisory services to various Representations dealing with fraud reporting to donors. In addition, OIG provided similar services to other departments within the Organization for reporting results of OIG's work and provided input on draft agreements for the sharing of information relating to fraud detection and prevention with external parties.

X.   Implementing the OIG Report Disclosure Policy

51.   The FAO Council approved an OIG report disclosure policy in April 2011, which was incorporated into OIG's Charter. Under this policy, audit reports and reports of lessons learned from investigations issued on or after 12 April 2011 may be viewed by Permanent Representatives, or their nominees, upon direct request to the Inspector General. In November 2012, to facilitate implementation of the policy, the Finance Committee endorsed a revision to allow for remote online viewing of reports, as an alternative to viewing them on OIG premises. A secure internet-based solution, configured to apply the "view only" policy, was deployed in 2013. Information on OIG reports issued and covered under the policy is periodically updated on the Permanent Representatives' website. In 2017, eight requests for remote online viewing were received from two members, covering the following eleven audit reports. The requests were fulfilled according to the policy within the response times set out therein:

- AUD 0115 Joint RBA Procurement review
- AUD 0716 High Level Review of Management of Risks of Financial Fraud and other Corrupt Practices in FAO
- AUD 0116 – Comprehensive Review of the FAO Representation in Haiti
- AUD 0516 – Comprehensive Review of the FAO Representation in Somalia
- AUD 0616 – Comprehensive Country Review of the FAO Representation in Uganda
- AUD 2016 – Comprehensive Country Review: FAO Representation in Jordan
- AUD 2316 – Yemen Limited Review
- AUD 2716 – FAO Representation in Nepal: Comprehensive Country Review
- AUD 0316 Treasury Risk Assessment
- AUD 3114 – Comprehensive Audit: FAO Representation in Myanmar – Annual Report 2014
- AUD 1717 Whole of Syria Programme, Limited Review.

52.   There were no instances of reports being withheld and only one instance where the report was redacted to omit confidential third-party comparator information.

XI.   Managing OIG's Internal Capacity and Operations

53.   OIG delivers value through the management of its staff (see Annex F for details), financial budget, technology and methodologies. Its audit and investigation functions are subject to periodic external review.

OIG Staffing and Budget

54.   As at 31 December 2017, OIG had 25 approved posts. These include those of the Inspector General, 18 Professional staff, four of which are out-posted in each of the ROs in Cairo, Bangkok, Accra and Santiago de Chile; and six General Service staff, four of whom are attached to audit or

investigation teams and undertake audit or investigation support tasks. Annex G to this report depicts OIG's staffing situation, with demographic and gender information.

55.   During 2017, the Audit unit comprised two P5 Senior Auditors reporting to the Inspector General and leading audit teams with regular interchange of audit staff to meet work needs. As of February 2018, OIG had two audit posts vacant (P4 posts in ROs). OIG managed its audit workplan and investigation caseload results with the support of experienced and well-qualified consultants. To assist with managing the investigation caseload, including provision of specialist expertise in its new mandate areas of harassment and sexual exploitation and abuse, staffing was supplemented with an additional 355 consultant/days beyond that required for backfilling vacancies.

56.   OIG's 2016–2017 biennial budget was USD 9.3 million, mostly from Regular Programme sources. At the end of 2017, OIG had spent USD 8.5 million, leaving a surplus of approximately USD 800 000. Savings from the large number of staff vacancies are the main cause of the surplus, only partially offset by additional spending on consultancies and contracts. The breakdown of OIG's costs is as follows:

Figure 10 2016–17 Expenditure
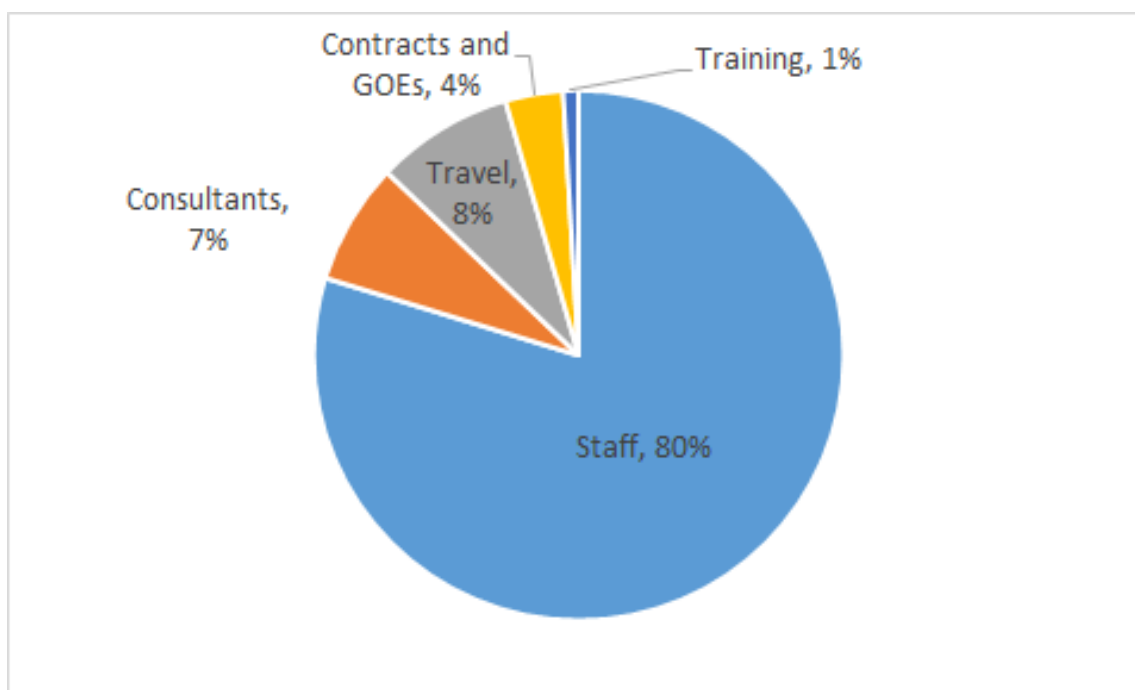
Staff Professional Development

57.   OIG invests heavily in staff development to ensure that staff stay abreast of good practice in audit and investigation methods, organizational management and development concepts, and to extend staff language skills. Individual training needs are identified under the Individual Development Plan component of the Organization's Performance Evaluation Management System (PEMS) at the beginning of each year. In addition, broader staff needs are addressed in group training sessions, and where possible in collaboration with counterparts in the other Rome-Based Agencies or UN/intergovernmental organizations. OIG's training focal point oversees the implementation of an OIG training plan developed from these elements and integrated into an FAO-wide process. OIG expresses its appreciation of the OHR Training unit for the extensive support it provided in the review and implementation of OIG's 2017 training plan.

58.   In 2017, OIG continued to support staff in obtaining and maintaining professional internal audit, information technology, forensics, risk management fraud examination qualifications and

language training. A five-day tailored audit and investigations group training was also provided to meet the specific needs of the division on Oracle tools and data mining. In 2017, staff received on average 10.3 training days.

Update of Job Profiles and Implementation of Performance Evaluation and Management System

59.   Annual workplans for 2017, linked to OIG's Unit Results in FAO's planning and budgeting framework, were completed for all OIG staff and were assessed in early 2018. The performance planning, evaluation and development elements of the process support internal communications within the division and are core components of OIG's quality assurance and improvement programmes for both the audit and investigation groups.

Technology Support

60.   OIG uses widely adopted audit and case management software which support professional standards compliance and process efficiencies. OIG also uses specialized security software to support its report disclosure policy and Audit Committee operations.

Audit Quality Assurance and Improvement Programme

61.   As part of its audit quality assurance and improvement programme, OIG sends a client feedback questionnaire for each finalized audit to the principal recipient of the final report. The average overall satisfaction rating of the 14 responses received from auditees for reports issued in 2017 was 5.5 from a maximum score of six. Aggregated details of the survey results are shared with management and the FAO Audit Committee through OIG's activity reports.

62.   In accordance with the Charter of the Office of the Inspector General and with the institute of internal audit (IIA) standards, an independent external assessment was conducted of FAO's internal audit function. The external assessor concluded that the internal audit activity 'Generally Conforms' (GC) to the Standards and Definition of Internal Audit. The IIA's Quality Assessment Manual suggests a scale of three ratings, "generally conforms," "partially conforms," and "does not conform". "Generally Conforms" is the top rating and means that an internal audit activity has a charter, policies and processes that are judged to be in conformance with the Standards. The review team identified a number of areas for improvement to be considered and these will be actioned under OIG's 2018 audit quality improvement programme and monitored by FAO's Audit Committee.

Investigation Quality Assurance and Improvement Programme

63   The Uniform Principles and Guidelines for Investigations issued by the Conference of International Investigators acknowledge the need for Investigative Offices to periodically undergo an external quality assessment (EQA) to ascertain their conformity with the Organization's legal framework and generally accepted investigation standards and to promote continuous enhancement of the investigation function. After successfully going through an EQA for internal audit in the past biennium, OIG will ask an independent external team to assess the Investigation unit, its compliance with the Principles and Guidelines of the Conference of International Investigators and its performance. This will be the second assessment for the investigation function after that conducted in 2013.

OIG key performance indicators (KPIs)

64.   In 2017, OIG along with the Audit Committee, defined performance indicators to reflect the implementation of its workplan. OIG monitored these 32 internal KPIs and reported on their status throughout the year. The indicators covered the implementation of the workplan, budget management, project management and staff development (see Annex H for more detail). As shown by the KPIs, OIG completed most of its 2017 plan, but some assignments were carried forward to 2018. This was

mainly due to (i) the high level of vacancies in the division, (ii) the uncertainty about the progress and outcome of staff selection processes, which prevented proper planning of consultants hire, (iii) the significant number of management requests received in the year, and (iv) the higher than anticipated complexity of several audits conducted in 2017.

XII.   Maximizing Oversight Coverage and Harmonization through Coordination and Collaboration with other Oversight Bodies

Coordination with other FAO Oversight Bodies and Ethics/Ombudsman Office

65.   During the year, OIG met routinely with the Office of Evaluation (OED) and the External Auditor to discuss their respective workplans to ensure that the work of the oversight bodies did not unnecessarily duplicate review activities, and to provide input into the planning of their respective assignments. OED and the External Auditor are routinely copied on all internal audit reports and meetings are held at working level on various assignments when relevant to work and assignment planning. In preparing for individual audit assignments, OIG reviewed and took into account the issues and recommendations the External Auditor presented to management in the form of management letters and OED's evaluation reports.

66.   Specific examples of close OIG and OED collaboration in 2017 include:

- The Whole of Syria – the need for evaluation was raised by donors and other partners and OIG communicated this request to OED;
- Corporate guidelines on L3 Emergency Preparedness and Response – OIG and OED had joint comments and meeting with the TCE team on improvements to the guidelines under revision;
- Country Programming – OIG and EOD exchanged their feedback on CPF formulation, implementation and monitoring in COs, which were used in both the Programme and Operations Capping report by OIG and the "Effectiveness of CPF: synthesis from country programme evaluations" by OED;
- FAO's readiness in assisting Member States in achieving the SDGs – OIG and OED had discussions during the planning phase of the review. In addition, OIG shared the results of its surveys with OED for their synthesis of evaluations on the effectiveness of CPF;
- OED invited OIG to several events and workshops on Emergency Preparedness and Response; and
- OIG coordinated its review of Nutrition Mainstreaming with OED, in view of the upcoming comprehensive evaluation of FAO's nutrition strategy.

67.   There was regular communication throughout the year with the Ethics/Ombudsman Office. In some cases complaints received by OIG or the Ethics/Ombudsman Office were referred to the other when these fell under the other's mandate. On several occasions the Ethics/Ombudsman Office provided valuable inputs to OIG's team auditing COs, which helped OIG to define the scope of its field missions. The Ethics/Ombudsman Office assisted with awareness raising of OIG's mandate and anti-fraud policies in its training activities.

Collaboration with the Oversight Services of the Other Rome-Based Agencies

68.   The 2017 edition of the annual joint session of staff from the audit, inspection and investigation functions of the three Rome-Based Agencies was hosted by FAO, in order to strengthen cooperation, interaction, networking and professional updating across the agencies. The event included a session on overseeing implementation of the SDGs with the Directors of Evaluation from the three organizations, as well as a presentation by the Deputy Director-General (Programmes) from FAO.

69.   In addition, OIG conducted a joint audit of security management in headquarters with WFP. The report will be issued in the second quarter of 2018.

Collaboration with other UN Agencies and Intergovernmental Organizations

70.   OIG continued to be an active member of the professional networks for audit and investigation in the UN System and the wider international organization sector. RIAS is the network of Representatives of Internal Audit Services of the UN System, Multilateral Financial Institutions and Associated Organizations (the professional network of internal audit services of intergovernmental organizations). UN-RIAS is the UN System sub-group of this network. The Conference of International Investigators (CII) brings together the investigations functions of UN agencies, Multilateral Development Banks and other intergovernmental organizations, such as the European Anti-Fraud Office. UN-RIS (UN Representatives of Investigation Services) is the UN System sub-group of this network. These networks provide valuable sources of information for enhancing OIG's own performance, opportunities for addressing coverage of jointly managed programmes and are a basis for harmonized development of the audit and investigation functions across the UN and intergovernmental sectors.

71.   Responding to the UN General Assembly resolution on the Quadrennial Comprehensive Policy Review, the UN CEB has prioritized the development of UN System-wide joint internal audits of joint programmes. This is being responded to collectively by the UN Internal Audit Services, including OIG, through UN-RIAS.

72.   The joint audit by several UN Internal Audit Services, led by UNDP, of Delivering as One in Viet Nam was published in 2017. Another joint audit of CERF in Ethiopia, led by WFP, was published in 2017. OIG participates in steering committees for the planning and oversight of these joint audits. OIG's own audit reports and findings inform the joint audits.

73.   OIG participated in the 48th Plenary RIAS and 11th UN-RIAS meetings held in September 2017 at the Organization for the Prohibition of Chemical Weapons (OPCW) in The Hague. The meetings were attended by a Senior Auditor. Topics covered in the RIAS/UN-RIAS meetings, and inter-sessional activities, included:

- Issues Arising from Audits of Financial Statements.
- The JIU Report on the Internal Audit Function.
- Macro-Level Opinions and Status of Reflection on Organization Wide Audit Opinion.
- Harmonization of Engagement Level Audit Ratings.
- Quantifying Costs of Oversight and Accountability in the UN System.
- GAIN Benchmarking Survey (presented by OIG).
- Future of Internal Audit – Trend, Back to the future, Positioning Big Data, Usage of CAATS and continuous auditing.
- Risk Management in international organizations facing the refugee crisis.
- Auditing 'project methodology' for projects of all sorts and sizes.
- Climate change.
- Identifying red flags – internal audit role in detecting and preventing fraud.
- Auditing an Organization's ERM – COSO 2013.
- Cyber Security.
- Performance Auditing.
- Internal auditors' role in anti-money laundering and combating illicit money flows.

74.   In addition, in April 2017, OIG participated for the first time in the annual HOIA meeting (Heads of Internal Audit in International Organizations in Europe) which took place in Luxembourg, hosted by the European Stability Mechanism (ESM). The meeting was attended by 31 organizations,

including several UN organizations, European Union entities and other Europe-based entities. OIG was represented by a Senior Auditor who gave a presentation on the topic of continuous auditing.

75.   As with the RIAS and UN-RIAS meetings, HOIA represents an opportunity for knowledge exchange with similar entities. This year's meeting featured 13 presentations grouped around the following six subjects:

- Quality Assessment and Improvement Programmes
- Corporate Governance Audits
- IT Audits
- Professional Practices
- Audit Tools and Techniques
- Managing Stakeholders Expectations.

76.   In October 2017, the Inspector General and the Senior Investigator participated in the 18th Conference of International Investigators (CII) and 4th annual meeting of UN-RIS hosted by the New York-based UN entities in New York. The Inspector General was re-elected coordinator of the UN-RIS for a second period 2017–2018.

77.   The CII covered a variety of topics including discussions on standards of evidence, sexual exploitation and abuse (with the presence of Ms Jane Holl Lute, Special Coordinator for improving the UN's response to sexual exploitation and abuse), the use of digital forensics, investigation of implementing partners and synergies between audit and investigation.

78.   OIG chaired the UN-RIS meeting which discussed ongoing activities and its workplan for the coming year. UN-RIS is focusing its activities on standards of evidence, a database for investigation related judgements, harmonized tools for sexual exploitation and abuse investigations, shared practices on harassment investigations, investigation of allegations against personnel of Investigation units and modalities for the Investigation of Complaints of Misconduct by Executive Heads.

79.   OIG attended the Syrian Investigation Working Group Meeting (SIWG) held in Glasgow on 1 November 2017 co-hosted by USAID, OIG and the UK Department for International Development (DFID). SIWG was founded in October 2015 and consists of representatives within the investigative oversight bodies of UN agencies and programmes, governmental organizations and international NGOs. The Group meets annually and coordinates, where appropriate, oversight activities in programmes of work and identifies trends in the Syria-Iraq and cross border regions, with current focus on procurement fraud and corruption matters.

80.   OIG participated in the International Audit and Fraud Roundtable held in Paris in February hosted by the Agence Française de Développement (AFD). The members of the group are usually from Ministries of Foreign Affairs (MFA) and aid agencies, dealing with fraud and corruption in different capacities. Topics discussed included: forensic audit, transparency and access to information, dealing with fragile states and OECD recommendations for development cooperation actors on managing the risk of corruption.

Annex A

Risk entities in OIG Corporate Risk Register that were covered in audits completed or underway at end of 2017 (high-risk entities in bold, audits in progress in italics)

RESULTS FRAMEWORK AREA	SUB-AREA		RISK(S) COVERED
Strategic Objectives (SO) Delivery	Strategic Framework governance		Sustainable Development Goals
	Formulation of SO Action Plans and results frameworks		-
	Preparation of Operational Workplans to implement the SO Action Plans		-
	Workforce Planning		-
	Delivery of Products and Services		-
	Monitoring and Reporting Framework		-
	Field Programme Management and Operations		Emergency Operations
			Project Monitoring
			Distribution of Inputs
			Sustainability of Project's Benefits
			Reporting to Donors
			Project Formulation and Approval
Enabling Environment	Technical Cooperation Programme		-
	Outreach		Global Environment Facility
	Information Systems and Technology Management		ERP
			Manage Programmes and Projects
			Manage Requirements Definition
	FAO governance, oversight and direction		Internal Control and Accountability Framework
			Organizational Structure: Decentralization
			Anti-fraud Policies and Procedures
		Financial Management	Fixed Assets Management
			Capital / Investments Management

		Human Resources Management	Recruitment of Professional Staff
	Efficient and effective administration	Procurement, Assets and Facilities management	Procurement
			Technical Clearances
			Tender Process
			Letters of Agreement
			Information Products
		Administrative and Other Services	Administrative Policies and Procedures
			Occupational Health and Safety
			Management of Confidential Information
			Travel
			Commissary Benefits
			Commissary Management
			Education Grant
			Rental Subsidy
			FAO Credit Union
	Technical quality, knowledge and services		Statistics
			Mainstreaming of Nutrition
			Gender Mainstreaming
			Implementation of Recommendations
Capital Expenditure	Capital Expenditure		-
Security	Security		HQ Security
Decentralized Offices (DOs) Management and Performance	DOs Management and Performance		Decentralized Offices Structure and Capacity
			Disbursements by DOs
			Procurement Planning
			Field Procurement
			Project Management and Delivery

Annex B

Decentralized Office Audit Coverage

Planned achievement of target of full coverage for all significant Country Offices over three biennia ending in 2017, by region and year:

	REU	RAP	RNE	RLC	RAF
2012	2	4	1	6	10
2013		5	1	5	14
2014		7		2	7
2015	1	3	1	2	10
2016	1	2	5	2	4
2017	2	2	3	2	8

Geographic coverage
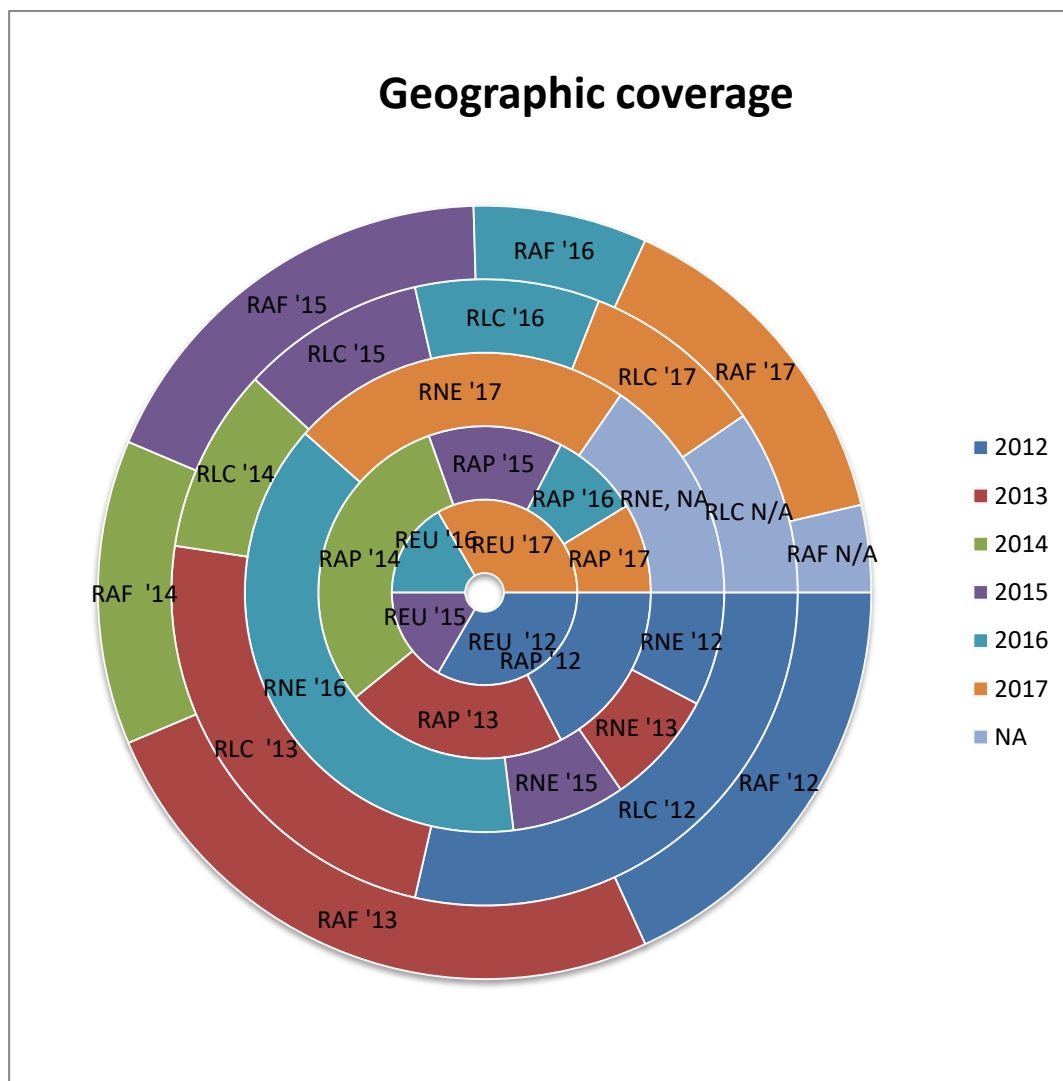
Annex C

Reports Issued in 2017 Subject to Disclosure Policy

Reference	Title of audit report
AUD 0117	FAO Representation in Iraq Comprehensive Country Review
AUD 0217	GRMS Review Post-implementation Arrangements
AUD 0317	Comprehensive Review of the FAO Representation in Central African Republic
AUD 0417	Capping Report on the Implementation of FAO's Strategic Framework at the Decentralized Offices 2016
AUD 0517	Joint Internal Audit of Delivering as One (DaO) In Viet Nam
AUD 0617	FAO Representation in Colombia
AUD 0717	Management of the FAO-Global Environment Facility (GEF) Portfolio
AUD 0817	FAO Liaison and Partnership Office in Equatorial Guinea
AUD 0917	Commissary Physical Inventory Count 2016
AUD 1017	Joint audit of the South Sudan CHF
AUD 1117	FAO Representation in Iran
AUD 1217	Capping Report on Country Office Audits
AUD 1317	FAO Representation in Lebanon
AUD 1417	FAO Representation in Paraguay
AUD 1517	FAO Representation in Ecuador
AUD 1617	FAO Representation in Lao People's Democratic Republic (PDR)
AUD 1717	Whole of Syria Programme: Limited Review
AUD 1817	FAO Representation in Mexico
AUD 1917	Extraordinary Commissary Physical Inventory Count 2017
AUD 2017	FAO Representation in Malawi
AUD 2117	FAO Liaison Office in Geneva
AUD 2217	FAO Statistics Governance
AUD 2317	FAO Representation for Libya
AUD 2417	Letters of Agreement
AUD 2517	Technical Support for the Procurement of Goods
AUD 2617	FAO Representation in Angola
AUD 2717	FAO Representation in Mozambique
AUD 2817	FAO Representation Office/Subregional Office in Zimbabwe

Investigations Lessons Learned Reports

Description	Reports Issued
None for 2017	

Annex D

Summaries of Results of Audits Reported in 2017

AUD 0117 – FAO Representation in Iraq: Comprehensive Country Review

The overall assessment of the Representation is Some Improvement Needed for all three sections: Governance and Accountability, Country Programming and Operations, and Finance and Administration management. Within these audit areas, the subareas of Operations, Procurement and Payments were assessed as Major Improvement Needed. There was a scope limitation in that OIG did not visit the Erbil office, which is the main operations hub, or the field activities in Iraq and not all supporting documentation was available in Amman at the time of the onsite audit.

OIG selected the FAO Representation in Iraq for a limited review of operations, finance and administration based on its Risk-Based Audit Plan for 2016. The audit covered the period from January 2014 to March 2016 with a focus on the post-GRMS roll out period and related challenges for the Representation.

For Governance, Accountability and Internal Control System, the current arrangements for managing operations and administration are dispersed among three offices. This was caused by security constraints and operational necessities, but now raises questions of cost-effectiveness and clarity of roles and responsibilities. Management was in the process of analysing staffing needs and gaps, taking into consideration the prospective development of its field programme, as well as the nature and location of its field activities. Furthermore, the Representation needed to establish a functional centralized filing system to integrate the activities in the separate locations. During the audit mission, some of the requested documents were not available in Amman, nor at the Erbil office, affecting the audit trail for these transactions.

A good practice observed was that regular staff meetings and management meetings were held and the minutes were documented. Communication among offices was carried out in a timely manner, mainly through Skype. The FAOR, Project Manager and Emergency Coordinator regularly visited project sites, security-situation permitting.

Apart from the scope limitation, OIG rated the Programme Operations section as Some Improvement Needed. The FAOR promoted FAO's comparative advantage through a number of clusters and working groups, resulting in new project funding. Regular publications of project outcomes and the needs assessment for food security and livelihood were also effective in communicating FAO's results and prospects. For Country Programming, areas for improvement include developing measurable result-oriented indicators for monitoring and reporting on CPF achievements, and revising Resource Mobilization (RM) targets in the CPF and documenting the RM strategy. At the current RM rate (only 12 percent achieved more than half way through the CPF duration), the CPF targets were not attainable and the office set up was not sustainable.

When reviewing Finance and Administration, OIG recognized that the Representation encountered significant challenges due to the remoteness of operations and the current operations arrangements split between three offices. Most issues of non-compliance reported are consequences of the lack of qualified and trained staff, particularly in the procurement function.

OIG and management agreed on 11 Actions that could improve governance, risk management and controls in the Representation, six were high priority and five moderate priority. OIG also identified several Compliance Issues.

AUD 0217 – GRMS Review: Post-implementation Arrangements

The Global Resource Management System (GRMS) is a high-value investment for the Organization and a vital part of its operational and administrative processes. Therefore, it is periodically reviewed by OIG and was included in its annual Risk-Based Audit Plan for 2016.

OIG recognizes the significant efforts made by CS, OHR, CIO and SSC divisions and the ERP Steering Group in streamlining and improving GRMS governance, change management procedures, user training and guidelines. However, OIG concluded that GRMS arrangements are in need of further improvement relating to: governance, change and bug management and, more importantly, planning and execution of upgrades, access rights and document and data archiving and retention.

For Governance issues, there is a need to: i) define the boundaries for the ownership of policy, process and the system including cases where the policy does not have a clear owner; ii) streamline ERP governance arrangements such as the relationship and workflow for decision making between the ERP Steering Group, SSC Board and CAPEX, assisting the ERP Steering Group to take decisions by having a working group for quality control and analysis of requests related to changes; and iii) finalize and fund a monitoring strategy for policy and process effectiveness.

A corporate framework for change management practices needs to be established to ensure alignment and coordination of any potential changes which may occur at policy, process or system level, given the interrelation between the three elements. This should include a streamlined workflow, the development of commonly agreed criteria for measuring the benefits and costs of any requested change and ensuring that these benefits are verified after the change has been implemented. Training, communication and guidelines should be a mandatory element of any change. In addition, considering future migration to a newer platform, the customization level should be reviewed and if needed de-customized.

Based on its review, OIG concludes that Organizational performance regarding the processes and functions reviewed Needs Major Improvement. OIG proposed and management agreed with 17 actions to address the issues discussed in this report, one of significant priority, seven of high priority and the remaining of moderate priority.

AUD 0317 – Comprehensive Review of the FAO Representation in Central African Republic

The overall assessment of the Representation is Some Improvement Needed for all three audit areas.

The Governance, Accountability and Internal Control System were assessed as Some Improvement Needed. The key officers in the Representation understood the Organization's role in the country and managed a large and complex field programme. The current structure and controls in place, assisted by additional support under the L3 protocols were adequate. The main recommendations related to adequate planning for the end of the protocols, optimizing the structure and managing resource gaps and budgets.

Programme and Operations were assessed as Some Improvement Needed. Advocacy, liaison and communication activities were proactive and demonstrated results. The CPF 2016–2017 showed progress on implementation, but a better structured monitoring and reporting process was required in order to measure progress objectively. The rate of RM was currently significantly lower than required to meet the target. A dedicated RM unit and plan were required.

The field programme was managed effectively. While donors registered dissatisfaction with the implementation of the emergency programme in 2015, following the end of the L3 protocols and the departure of some international staff, there was general agreement that implementation in 2016 was satisfactory to date. Donors and the government commented on problems of late financial reports and ineligible expenses.

Finance and Administration was assessed as Some Improvement Needed. The main areas for improvement included a performance evaluation of LoA Service Providers and verification of LoA expenses before final payment was effected. In addition, the consistency of project codes with the supporting documents needed to be improved to ensure accurate accounting and to minimize the frequency of subsequent adjustments.

OIG and management agreed on 11 Actions that could improve governance, risk management and controls in the Representation, seven of high priority and six of moderate priority. OIG also identified several Compliance Issues.

AUD 0417 – Capping Report on the Implementation of FAO's Strategic Framework at the Decentralized Offices 2016

In 2013, FAO adopted a newly revised Strategic Framework and initiated implementation with the 2014-2017 Medium Term Plan (MTP) and the 2014-2015 Programme of Work and Budget (PWB). The new Framework is a key pillar of the Organization's transformational change process predicated on a clear and more focused strategic direction, based on enhanced capacity and functioning of the Decentralized Offices Network (DON) working in a holistic and mutually supporting way with headquarters.

FAO's progress on the Implementation of the Strategic Framework was included as a key thematic audit area in OIG's 2016–2017 Risk-Based Audit Plan, and in 2016, OIG conducted a series of DO audits and a survey of all FAORs on this subject matter.

Overall, audited DOs performed reasonably well in their progress towards implementation of the Strategic Framework. Based on OIG's four-tier rating system, one RO was rated overall Satisfactory (RLC), the other four ROs (RAF, RAP, REU and RNE) and two Subregional Offices (SAP and SEC) were rated as Some Improvement Needed. Based on the current level of maturity of the Strategic Framework, room for improvement was identified in the areas of Governance, Work Planning and Integration.

COs were positive about the Strategic Framework as a structure that provides legitimacy for FAO in the development community and serves as a unifying framework for accountability and reporting results. However, a common underlying cause of the concerns was the FAORs' perception that the Framework was designed and managed using a top-down approach without regular consultation with COs and without full awareness of country programming. As a result, the COs in particular do not consider themselves full stakeholders in the Strategic Framework implementation process and believe that the Framework needs improvements to fulfil expectations for enhancing their performance.

OIG performed a combined analysis of the results from the DO reviews and the FAOR survey to raise systemic and overarching issues and to address key control gaps. The aim was to improve the efficiency and effectiveness of Strategic Framework implementation and to identify measures to further develop the maturity of the Framework towards full expansion and consolidation. To this effect Senior Management and OIG agreed the following actions:

- improvement in the preparation and issuance of corporate guidance on Strategic Framework implementation, in particular regarding consultation and engagement procedures between headquarters and DOs;
- building on the PWB 2016–17 and MTP 2018–21, development of a master plan for Strategic Framework implementation, including an outline of what will prospectively constitute the optimized Framework and how it will operate when implementation is fully concluded, including the identification of requisite investment in systems and organizational re-engineering;

- clarification of managerial and operational roles and requirements, to ensure that the desired balance of technical capacity and Strategic Framework-related activities is defined and achieved;
- institutionalization of the assessment of skills mix and post profiling to support the development and arrangement of the delivery mechanisms (in particular the CPFs and Regional Initiatives;
- clear linkage and verification of outputs against the delivery mechanisms, supported by a holistic and iterative process to balance field programmes and output commitments with technical capacity and available resources, to ensure an effective and economic allocation of resources and to avoid a fragmented project portfolio;
- clear linkage of agreed outputs with the required technical support services for the next generation of Service Level Agreements (SLAs); and
- improved integration of the various corporate information systems (PIRES, FPMIS, iMIS and GRMS), including the consideration of options for merging the separate systems in the medium term into one encompassing multi-functional management information system.

OIG and management agreed on seven Actions that could improve governance, risk management and controls in the deployment of the revised Strategic Framework, two of critical priority and five of significant priority.

AUD 0517 –Joint Internal Audit of Delivering as One (DaO) In Viet Nam

The Internal Audit Services of eight UN agencies (FAO, ILO, UNDP, UNESCO, UNFPA, UNICEF, UNIDO and WHO) conducted a joint audit of Delivering as One (DaO) in Viet Nam. In August 2014, the United Nations Development Group (UNDG) issued the Standard Operating Procedures (SOPs) for Countries Adopting the DaO Approach, together with an integrated support package for implementation by United Nations Country Teams (UNCT).

UNDG recognized that the SOPs package should be adapted by the UNCT and government in response to the needs of each country context. The view of the Viet Nam UNCT was that, because the SOPs were not mandatory, the extent to which the SOPs were adopted for each pillar was more open-ended with no defined timeline. However, the audit noted that the principles that guided the development of the SOPs are key to achievement of desired results under DaO. Therefore, for each area reviewed, the audit assessed whether there were unmanaged risks that could impact the achievement of the planned results and considered whether implementation of the SOPs could help in managing such risks.

Viet Nam volunteered to be one of the eight DaO pilot countries at the request of the government. The 2012–2016 One Plan is the common programmatic framework for UN agencies in the country. It sets out the strategic joint programme of work which will support Viet Nam in addressing its development priorities. The One Plan is signed by 17 UN agencies. It is aligned with the government's 2011–2020 Socio-Economic Development Strategy (SEDS) and the 2011–2015 Socio-Economic Development Plan (SEDP), and has three focus areas: Inclusive, Equitable and Sustainable Growth; Access to Quality Essential Social Services and Social Protection; and Governance and Participation.

The total budget for the 2012–2016 One Plan was USD 480.2 million, of which USD 107.5 million was Regular Resources (RR) secured by participating UN agencies, and USD 372.7 million of Other Resources (OR). The OR included a budget of USD 135.3 million to be mobilized through the One Plan Fund II as a mechanism to complement core and non-core fund management.

The joint audit assessed implementation of DaO in Viet Nam as "partially satisfactory", meaning that the internal controls, governance and risk management processes were generally established and functioning, but needed improvement. Several issues were identified that may negatively affect the achievement of the objectives of the audited entities: gaps in funding core posts in the Resident Coordinator Office, the absence of joint workplans and planning and the need to strengthen RM.

AUD 0617 – FAO Representation in Colombia

The overall assessment of the Representation is Satisfactory for the audit areas of Governance and Country Programming; and Some Improvement Needed for Operations and Finance and Administration.

Representation management has established an adequate governance structure and internal control system to ensure that the CPF and field programme are delivered according to plans and meet the expectations of key stakeholders. The new CPF, a growing field programme and involvement in complex development projects have required Representation management to shift to a programmatic approach based on five CPF areas. OIG considers this approach effective in the current environment. At the same time, a programmatic approach increases operational costs, in particular the costs related to shared programme staff. This needs to be closely monitored and proactively adjusted when necessary to ensure a proper balance of field programme requirements versus current staffing and operational costs allocated among the projects. In the event that overall field programme funding decreases, this would be particularly critical to keep overhead costs within reasonable margins.

The Representation has made notable progress since the last audit, having introduced a number of good practices and tools to ensure congruence of the goals between the Strategic Framework, the CPF and the field programme, as well as the integration of planning, implementation, monitoring and reporting. FAO is recognized as an important partner for the peace building efforts in Colombia due to its role as a neutral broker with a clear mandate.

The Representation needs to streamline the technical quality assurance process to ensure that project results are technically solid and comply with FAO's standards. To this end, Representation management plans to involve Lead Technical Officers (LTOs), at the programmatic level, to approve interventions to align the CPF priority areas, which consolidate the planned results of the individual projects. In addition, the monitoring and evaluation function needs to be strengthened to focus on its core responsibilities, transferring some of the existing functions to the Operations unit.

The Representation has developed and implemented adequate controls in Finance and Administration. Procurement, Human Resources management and payments were examples of good practice. Areas for improvement included: the use of purchase requisitions with technical specifications approved by LTOs; completeness of asset and vendor records in GRMS; and the use of Field Budget Authorization processes through the corporate system.

The report contains 12 Actions agreed with Representation management. OIG also identified several Compliance Issues, which have been communicated to management separate from the report. Management has already initiated corrective measures to address them.

AUD 0717 – Audit of the Management of the FAO-Global Environment Facility (GEF) Portfolio

The FAO-GEF portfolio is the largest resource partnership supporting the Organization's climate change and environmental protection activities. Mid-cycle estimates for the current replenishment cycle (GEF-6, 2014–2018), are USD 260 million, of which over USD159 million has been mobilized so far.

The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the FAO-GEF portfolio in four areas:

- Organizational strategy for GEF RM;
- Organizational structure to manage and implement the FAO-GEF portfolio;
- Planning and management of agency fees to support the FAO-GEF portfolio within the Organizational structure; and
- Project cycle management to deliver the FAO-GEF portfolio.

OIG found that the FAO-GEF portfolio is aligned with FAO's Strategic Framework and with the GEF strategic priorities and objectives. The GEF Secretariat considered FAO among the top five GEF Agencies in terms of quality of its submissions. However, OIG concludes that while management systems have been established, there is room for improvement in the overall management of the FAO-GEF portfolio.

A corporate strategy for developing and managing the FAO-GEF portfolio has not been well defined and documented. This has an impact on the efficiency and economy of portfolio operations. More importantly, defining a corporate vision for how the available environmental funding will support the Organization in achieving its mandate, in the medium and longer-term, would help the management of the FAO-GEF portfolio to:

- clearly define the most appropriate business model to ensure FAO can successfully compete for GEF and other funding for its environmental activities, and deliver projects effectively;
- improve strategic planning at headquarters and decentralized levels to address constraints and to take advantage of opportunities;
- introduce a more holistic approach to risk management;
- develop stronger information management systems for monitoring and decision making; and
- encourage greater synergy with the various other environmental funds such as the Green Climate Fund (GCF) and UN Reducing Emissions from Deforestation and Forest Degradation (UN-REDD+).

There is overlap between the roles and responsibilities of TCI-GEF (as process owner) and other stakeholders due to capacity limitations at the DO level and generally weak in-house GEF knowledge and expertise. This affects, inter alia, timely and efficient processing of project proposals. TCI-GEF is strengthening quality control capacities within the unit and is supporting capacity building efforts at DO level. There is also a need to:

- review all roles and responsibilities to ensure segregation of the implementing and executing roles;
- develop standard operating procedures to better guide day-to-day activities and improve long-term capacity planning; and
- address structural issues such as effectively matching responsibility with authority to strengthen accountability of the key stakeholders such as Budget Holders (BHs) and LTOs.

Furthermore, in light of FAO's recent accreditation as a GCF Agency, as well as its participation in UN-REDD+, OIG believes management should review the overall organizational structure for managing the environmental funds. Consolidating programme development and operations under one umbrella would strengthen synergies between portfolios and improve efficiency.

The Organization has earned over USD 34 million in GEF agency fees during the period 2008–2015, and is projected to earn an additional USD 20 million by the end of 2017. These fees cover GEF project support activities across FAO and TCI-GEF's participation in various GEF meetings and fora. The revised fee structure, issued in October 2016, increases allocations to BHs and LTOs and is expected to help them address their capacity constraints. The new arrangements will require periodic reviews to ensure allotments are adequate to cover project management support costs.

Given the current project approval rates, there is a risk that the TCI-GEF allotment allocated to agency fees, may be inadequate to cover its staffing and operational costs in the medium-term. There is a need to review the unit's current staffing structure against different scenarios, and to maintain a reserve of funds to cover its operating costs.

AUD 0817 – Finance & Administration Review of the FAO Liaison and Partnership Office in Equatorial Guinea

The overall audit assessment of the Office is Some Improvement Needed for the areas of Governance and Accountability and Finance and Administration.

The area of Governance, Accountability and Internal Control was assessed as Some Improvement Needed. The Office has encountered significant challenges in relation to the government fulfilling its obligations under the Partnership Agreement with FAO, particularly in 2016 due to elections and changes in government. OIG's principal recommendations relate to these obligations being met, in order that the Office can fulfil its mandate in the country, establish adequate staffing and enhance the field programme. In addition, the Office needs to ensure that: (i) the CPF is presented to, and endorsed by the new government; and (ii) it provides effective and safe working conditions.

Finance and Administration was assessed as Some Improvement Needed. Overall, in view of the specific circumstances – the staffing in place and the political environment in 2016 – the Office has an adequate level of compliance with rules, policies and documentation requirements. Areas for improvement include:

In procurement, establish a Local Procurement Committee, develop an integrated procurement plan and document procurement awards.

In Human Resources, the workforce needs to be strengthened to ensure technical supervision and field programme implementation. The Office also needs to improve its HR documentation.

The report contains ten Agreed Actions that management has agreed to undertake. OIG also identified several Compliance Issues which have been communicated to management separately from the report. Management has already initiated corrective measures to address them.

AUD 0917 – Commissary Physical Inventory Count 2016

OIG performed an inventory count of the Commissary at year-end to obtain audit evidence to assist the External Auditor in evaluating the existence and completeness of the inventory balance as at 31 December 2016. Inventory is one of the most material assets in the Commissary's financial statements. As at 31 December 2016, it amounted to EUR 1 965 989 representing approximately 42.8 percent of the Commissary's total assets of EUR 4 588 428, as presented in the preliminary 2016 financial statements. The objective of the review was to report on the year-end inventory count as observed by OIG.

Based on this observation, and independent sample testing, OIG found that overall the Commissary has established and implemented adequate procedures for completing the year-end count. OIG's sample test count did not reveal any material differences to those of the Commissary.

AUD 1017 – Joint audit of the South Sudan CHF

The members of UN-RIAS agreed to undertake a joint audit of the South Sudan Common Humanitarian Fund (South Sudan CHF) based on an audit risk assessment carried out by the UNDP Office of Audit and Investigations (OAI) in 2014. This consolidated summary audit report presents the main critical findings, recommendations and status of their implementation from audits of the South Sudan CHF carried out by the Internal Audit Services of the Participating United Nations Organizations (PUNOs).

The Engagement Steering Committee (the Committee) for the joint audit of the South Sudan CHF was established in May 2015, comprised the Internal Audit Services of FAO, IOM, UNESCO, UNFPA, UNHCR, UNICEF, UNDP, UNOPS, WHO and the UN

The South Sudan CHF was established in February 2012 by the UN's Emergency Relief Coordinator to support the timely allocation and disbursement of donor resources to critical humanitarian needs. The South Sudan CHF is a country-based pooled fund mechanism that operates under the overall authority of the Humanitarian Coordinator (HC), and is intended to support national and international NGOs and UN agencies providing humanitarian assistance to persons in need in a strategic and timely manner. The South Sudan CHF aims to give the HC, in consultation with the South Sudan CHF Advisory Board, the ability to allocate funds to priority humanitarian needs, encourage early donor contributions and allow rapid response to unforeseen needs. Each PUNO has full financial and programmatic accountability for the funds received.

From its inception through to the end of 2016, the South Sudan CHF received a total of USD 528 million in deposits from donors. Total net transfers to PUNOs were USD 525 million and cumulative expenditure amounted to USD 442 million, according to financial information available on the Multi-Partner Trust Fund Office website, Gateway.

The joint audit team recommended that OCHA, in consultation with PUNOs, leverage the ongoing development of the new Operations Manual to clarify the nature and extent of consultation required from the Advisory Board in the South Sudan CHF reserve allocations process, including in situations where consultation is mandated, in line with the July 2015 Protocol. Management accepted the recommendation and pledged to include additional guidance clarifying the language used in the July 2015 Protocol, in the Operational Manual. The Operational Manual was finalized and issued in December 2016 after consultations with the Advisory Board and taking into account the July 2015 Protocol.

The joint audit team recommended that the HC, in consultation with the Advisory Board, and with support from the OCHA CO and the joint OCHA-UNDP Technical Secretariat, complete the risk mitigation process and update the risk treatment table in the Risk Management Framework. Management agreed to review the Risk Management Framework and update it to reflect progress it has made to implement risk mitigation measures. As of the date of issuance of this report, implementation of the recommendation is in progress.

The joint audit team observed that a formal and finalized strategy for RM for the South Sudan CHF was not in place.

The joint audit team recommended that the HC instruct the joint OCHA-UNDP Technical Secretariat to improve the management and sharing of records and filing system for capacity assessment reports and external project audit reports covering NGO implementing partners. Management accepted the recommendation and agreed to establish arrangements for the improved management, archiving and sharing of documents. As of the date of issuance of this report, implementation of the recommendation is in progress.

AUD 1117 – Limited Scope Review: FAO Representation in Iran

The Representation is assessed as Satisfactory in both the Governance, Accountability and Internal Control section as well as in Finance and Administration.

Governance, Accountability and Internal Control System – Since the arrival of the new FAOR, the Representation has reorganized its structure and reinforced its operations. The growth of the Representation's activities has been exponential and the team, including a number of newly-recruited personnel in key functions, is highly motived and well set up. Operational and administrative efficiency and effectiveness have notably improved, as have the opportunities for cooperation and the general interest of government entities, UN sister agencies, donors and the private sector in FAO's activities and potential services.

The Representation has established an integrated and coherent structure, developed a local Business Operating System and established Monitoring &Evaluation (M&E) arrangements. It should ensure

that on the basis of the new CPF, local monitoring and reporting are integrated with Strategic Framework requirements.

Finance & Administration practices and controls are sound. The Representation has developed a solid set of Standard Operating Procedures for different processes which are duly applied by staff. The review of a sample of transactions found very few shortcomings. One important observation made by OIG would be to ensure systematic apportioning of cost (NSHR and others) to Regular Programme and project funds to distribute expenses equitably among the different activities, given that resources are shared and limited.

The report contains two high-priority Actions that management has agreed to undertake. OIG also identified one Compliance Issue which management has already initiated corrective measures to address.

AUD 1217 – Financial Management and Administration Capping Report on CO Audits

In 2010, OIG began a cycle of Financial Management and Administration audits (F&A audits) of COs, with the overall objective to assess to what extent COs' financial and administrative management practices are sound, and whether key financial and administrative controls are applied.

The FAO Internal Control Framework (ICF) sets out the components and principles and defines the roles and responsibilities of internal control in FAO. COs are expected to apply the Organization's prescribed controls to manage key financial and administrative risks at their level. From 2010 to date, OIG has issued 148 individual CO reports on F&A audits. They include ratings against established criteria on the financial and administrative controls at the respective offices, note shortcomings in the local control environment and management practices, and identify actions to address them.

To complement the individual CO audit reports, F&A Capping Reports are prepared at regular intervals. To date four Capping Reports have been issued. This fifth report covers 30 CO reviews carried out during the period from January 2015 to December 2016, summarizing common issues and identifying actions for improvements at the corporate level.

Senior Management has made several improvements since the preceding F&A Capping Report was issued in September 2015, including:

- The issuance of the FAO ICF in May 2016 to complement the FAO Accountability Policy issued in December 2014.
- The issuance of a Corporate Risk Policy and update of the Corporate Risk Log.
- The completion of GRMS roll-out to the COs.
- A strengthening of the monitoring function including the out-posting of Finance Officers to four ROs.
- A strengthening of the training programme on administrative systems and procedures.

In the current Capping Report, 64 percent of the 30 COs audited had their F&A controls assessed as Satisfactory, 33 percent as Major Improvement Needed and three percent (one office) as Unsatisfactory. Consequently, almost two thirds of the COs audited (19 out of 30) were assessed as generally operating as intended in the area of finance and administration. Of the five areas included in the scope of OIG's F&A audits:

- two areas show marked improvement in the state of controls: Local Travel Management and Asset Management;
- two areas remain largely unchanged: Payment and Receipt Cycle, and Procurement and Contract Management; and
- one area has deteriorated: Human Resources.

For the overall summary assessment, there is no substantive change to the percentage of COs assessed as operating satisfactorily in comparison to the last Capping Report covering the 2013–14 period (in both cases 64 percent).

This Capping Report continues to find similar issues to those identified in the previous Capping Report as the key causes of control weaknesses:

- insufficient operational embedding of the FAO ICF and the FAO Accountability Policy;
- insufficient monitoring and guidance by headquarters' units; and
- limited administrative capacity and resources and gaps in procedural knowledge in COs.

The FAO Corporate Risk Log recognizes these risks and has identified mitigating actions. Three Agreed Actions from previous Capping Reports, principally concerned with monitoring, are still being addressed or are pending action. OIG refrains from proposing further actions at this stage to allow management to focus on implementing outstanding actions and continue with the implementation of its capacity building and training programme.

AUD 1317 – FAO Representation in Lebanon: Comprehensive Country Review

The overall assessment of the Representation is Satisfactory for the Country Programming and Advocacy section, Major Improvement Needed for the Governance, Accountability, and Internal Control System section, and Some Improvement Needed for the Field Programme and Operations section. OIG identified a number of areas that need to be addressed to improve performance, mitigate high risks and ensure compliance with FAO rules and regulations.

With the surge in its field programme in 2016, the Representation now faces challenges to strengthen its capacity to implement projects effectively and efficiently. Attention is needed to reorganize the administrative team with functional assignments, such as a procurement unit or a logistics unit, instead of sharing responsibilities among all team members. Non-compliance with several internal controls in the areas of human resource management, financial management, procurement, and others, require management commitment to improve office procedures. Finally, the Representation must update its operational procedures, such as selecting beneficiaries, managing LoAs, and providing timely, quality technical support to maximize project effectiveness, efficiency, and accountability.

The Representation has significantly elevated FAO visibility in Lebanon since 2014, through interaction with stakeholders and an active advocacy effort. A recent increase in donor funds with an emphasis on resilience and livelihoods development means FAO must ensure that its food security mandate is understood to include these new priorities. The Representation achieved 54 percent of its CPF resource target in 2016, the first year of the four-year programming period. However, without an established M&E function, the Representation lacks the tools to ensure that its programme performance data is complete, accurate and linked to planning objectives. Additional efforts in training and resources are needed to strengthen gender inclusiveness in office operations and programmes and to ensure that all potential beneficiaries are served.

The Representation, in its current form, does not have the structure or procedures to manage the expanded field programme effectively and efficiently, which nearly quadrupled in 2016. A review of the structure, with the assistance of RNE and the Office of Support to Decentralized Offices (OSD), is critical, particularly with the unknown implications of a new Subregional office created in Beirut. An M&E unit is needed to assess and validate programme performance independently from individual project teams.

The report contains ten Actions that the Representation and RNE management agreed to undertake. OIG also identified several Compliance Issues. Management has already initiated corrective measures to address them.

AUD 1417 – FAO Representation in Paraguay: Limited Country Review

The overall assessment of the Representation is Some Improvement Needed. This is an improvement on the preceding audit assessment from 2010. However, OIG still identified a number of areas that need to be addressed to improve performance, to mitigate risks and to ensure compliance with FAO rules and regulations.

At the time of the audit, the office was in the process of transforming its staffing structure from a Regional Office for Latin America and the Caribbean (RLC) project operation office, to a fully-fledged Representation. The Programme unit was struggling with the management of a fragmented project portfolio of small national and regional projects. Four facilitator positions were created to coordinate the field programme efforts under four priorities, however, this put a burden on the Representation's budget.

There is a need to clarify roles and responsibilities between the Programme, Operations and Administration units to ensure that key processes are assigned to dedicated staff and to avoid duplications and inefficiencies.

Gender mainstreaming was regularly part of project design.

The Representation needs to be better involved in supranational projects implemented in the country. The resources from those projects should be integrated in the Representation structure and results reported as part of an integrated field programme portfolio.

A new administration team has been in place since mid-2016. Shortcomings queried on prior occasions, such as ineligible travel reimbursements and salary supplements over the permitted USD 400 per month to Government-Provided Staff, have been addressed. However, the following improvements need to be made: (i) asset records should be completed; (ii) recruitment, pay rate and salary increments should be duly justified; (iii) the roles of the Local Procurement Committee, Buyer and LTO in the purchase process should be clarified; and (iv) purchase requisitions, technical specifications and clearances should be documented and filed.

The report contains seven Actions that Representation management has agreed to undertake. OIG also identified a number of Compliance Issues. Management has already initiated corrective measures to address them.

AUD 1517 – Comprehensive Review of the FAO Representation in Ecuador

The overall assessment of the Representation is Some Improvement Needed for the audit areas Governance, Accountability and Internal Control System and Programme and Operations, and Satisfactory for Finance and Administration.

Governance, Accountability and Internal Control System processes were assessed as Some Improvement Needed. Key officers understand the Organization's role in the country and the Representation has the appropriate structure and controls to meet its mandate. The delay in the appointment of an FAOR since August 2016, reduced FAO's political and policy level influence. OIG notes that a new FAOR was appointed in January 2017.

A few specific weaknesses in the assessed controls, governance arrangements and management of opportunities and risks were noted. Segregation of duties (a risk area due to the small number of Regular Programme staff), requires corporate guidance. Generally, however, controls are adequate and effective to provide reasonable assurance that objectives should be met.

Programme and Operations were assessed overall as Some Improvement Needed. Liaison and CPF formulation, implementation, monitoring and reporting were adequate. However, advocacy and communication require a strategy and plan to better target partners and donors. OIG identified issues

in the formulation and implementation of one of the projects reviewed (GCP/ECU/084/GEF), an Operational Partners Implementation Modality (OPIM)-based project with an NGO providing large parts of the execution, which potentially exposes FAO to reputational risk.

Overall, the assessed controls and management of the Finance and Administration processes were assessed as operating as intended and the section was rated Satisfactory.

Three Agreed Actions and several Compliance Issues were raised to address the weaknesses identified.

AUD 1617 – Comprehensive Review: FAO Representation in Lao People's Democratic Republic (PDR)

The overall assessment of the Representation is Some Improvement Needed for all three audit areas.

FAO has a leadership position as a trusted technical advisor in the policy and programme areas of agriculture and related sectors. The Representation proactively advocates for FAO's mandate, liaises with its partners and is active in RM. The Representation needs to develop and implement plans for communication, RM and gender to ensure its actions are strategic rather than ad hoc. The Representation has adequately defined its programming priorities in the CPF and implementation is on track.

The Representation has an adequate governance structure in place with defined accountability and maintains the system of internal controls, although some areas for improvement have been identified.

The Representation has an adequate administrative and programme structure for its current level of activity, although an inexperienced programme team limits the ability of the FAOR to delegate responsibilities. Limited funding also results in some corporate required plans not being implemented to date. There is active management of the project portfolio and pipeline with satisfactory monitoring of risks and issues and adherence to the project cycle.

The procurement activity was assessed as requiring Major Improvement as a result of non-compliance with some areas of MS 502 and a high usage of unmatched invoices. The advances, invoices, payments and adjustments area was assessed as requiring Major Improvement as a result of some non-compliance with corporate policy. Additional training is required in these areas.

This report contains seven Actions that Representation management agreed to undertake. OIG also identified several Compliance Issues, which Management has already initiated corrective measures to address.

AUD 1717 – Whole of Syria Programme: Limited Review

The overall assessment of the Representation and the WoS hub structure is Major Improvement Needed for all three objectives of the audit. OIG identified a number of areas that need to be addressed to improve performance, mitigate high risks and ensure compliance with FAO rules and regulations.

OIG recognizes the extreme complexity of the Syrian crisis, which presents challenges to FAO and all UN agencies, in coordinating humanitarian assistance. Management needs to urgently instil practices of proactive risk management in the highly political and conflict prone situation, which can systematically identify, manage and report to Senior Management on risks, so as to avoid reputational damage to FAO. Purposeful risk management will guide the vision and implementation approach for the WoS programme. In addition, these practices will assist in better monitoring of subcontracted activities to the Service Providers, a crucial area of programme delivery.

This report contains 25 actions that FAO management agreed to undertake, which will improve programming, governance and operations. The first action is addressed to the Deputy Director-

General Programme (DDG-P) and the Deputy Director-General Operations (DDG-O), to clarify and strengthen WoS leadership. The implementation of a number of other actions require this clarification. Progress will therefore depend on the DDGs' decision. Based on the arrangements at the time of the audit, OIG assumes that the WoS leadership role is currently shared by the RNE Assistant Director-General (ADG) and the FAOR in Damascus, and this arrangement is temporary. In view of the complexities and political sensitivity surrounding the Syria operation, OIG agrees with management that some degree of flexibility needs to be exercised in implementing the actions and OIG encourages management to share any other actions which could be alternatives to those agreed in the report to address the issues raised.

The WoS structure, created in 2014, is a temporary arrangement and is an exception to FAO's regular arrangements for COs. FAO does not have a clear roadmap for developing and implementing the WoS programme within the hub structure. In addition, FAO does not use risk management in a proactive way to identify the key risks and assess their impact on FAO's programme and operations, as well as its reputation, and to take timely mitigating measures. As the programme interventions increasingly include livelihood and resilience activities, the Organization has not assessed the political and conflict sensitivity risks of operating a programme in Syria. These issues require corporate attention.

Roles, responsibilities and workflows need to be better defined among the offices involved in the WoS Programme. Under the hub coordination mechanism, adopted in February 2017, RNE is tasked with overall management responsibility for the Syria programme, while the planning and programming responsibilities of the fully-fledged Representation in Damascus and the hub office in Gaziantep are largely undefined.

The FAOR a.i. in Damascus and the Programme Coordinator in Gaziantep are well regarded by external stakeholders for their efforts and leadership of the Food Security Clusters in their respective areas. In addition, the Representation (with donors and broader stakeholders including local institutions) is involved in the coordination of the resilience building approach. However, in their programmatic or operational activities the hubs operate without directly coordinating work or sharing results with each other, largely due to perceived political sensitivities underlying the Syrian conflict. The coordination mechanism also misses details on other functional responsibilities, such as RM and performance reporting. Key donors urged FAO to develop a unified WoS programme under a unified leadership for the WoS and to strengthen risk analysis to be commensurate with the challenges of the environment.

Until these weaknesses are resolved, FAO's WoS programme will appear disjointed and ad hoc. For example, while the Representation prepared a Plan of Action 2016–2017 as the de facto CPF for the programme, FAO does not have a single WoS Annual Report that consolidates all results and assesses progress against the targets contained in the Plan.

Resource mobilization for the first 14 months of the two-year period covered by the Plan of Action reached approximately USD 20 million, or approximately 13 percent of the USD 152 million target in the Plan. The reason for the discrepancy is due, in part, to the incompatibility of the Plan's targets which reflect needs-based requirements as opposed to FAO's actual capacity to mobilize resources and deliver the programme and donors' priorities in agriculture versus life-saving emergency interventions.

To meet the needs-based target and to advocate for funding the agriculture sector as part of the resilience building approach, FAO needs to develop an integrated corporate RM approach, otherwise the funding gap will remain too high meaning that beneficiaries' needs will not be addressed.

While Gender considerations are reflected in broad language within policy and project documents, they fall short of being addressed meaningfully in programming and implementation. FAO should

address the risk that programme resources may not be directed to the appropriate beneficiaries and in the most effective way.

The offices in the WoS structure operate largely as separate entities with little coordination. In the absence of a strategy to align staff resources with overall programme needs, the current structure of the WoS programme does not pool available resources. On the contrary, it replicates structural elements at individual hubs, which is not cost effective and also results in staffing gaps in some hubs. Alignment is needed to overcome an ad hoc and cost-inefficient approach with each hub operating individually. The Representation needs to develop a transparent and competitive recruitment programme for NSHR selection and to ensure equitable and transparent remuneration arrangements.

FAO needs to streamline the WoS programme and operations management under an integrated programmatic approach, revising the workflow of key operational processes, sharing resources and clarifying key reporting lines and accountability.

An impact assessment has not been carried out for current and past interventions to assess their effectiveness and to adjust the implementation approach if needed.

A key operational challenge is that FAO operates through fully subcontracting its distribution and training activities to Service Providers. However, their activities and performance in the field are not independently monitored and verified, contrary to good management practices and donor expectations.

Another challenge relates to the lengthy procurement processes for cross-border operations, which impairs the timeliness of input distribution for the planting seasons and may affect impact.

Close attention is needed to ensure the quality of technical support to interventions. Reliance on national experts needs to be relevant and pertinent to avoid the appearance of conflict of interest and ensure political and conflict neutrality.

OIG identified several Compliance Issues and two Advisory Notes, which management has already initiated corrective measures to address.

AUD 1817 – FAO Representation in Mexico: Comprehensive Country Review

The overall assessment of the Representation was Some Improvement Needed for the Country Programming and Advocacy section, Major Improvement Needed for the Governance, Accountability, and Internal Control System section (which had deteriorated since the last audit in 2011), and Some Improvement Needed for the Field Programme and Operations section. The overall internal controls system had deteriorated since OIG's last visit in 2011. OIG identified a number of areas that need to be addressed to improve performance, mitigate risks and ensure compliance with FAO's rules and regulations.

OIG agreed plans with management to centralize the administrative team based on functions, and revise the workflows between the projects and the Representation. Non-compliance with several internal controls in the areas of human resource management, procurement and LoA management require management attention to adhere to FAO's rules. One case OIG would like to highlight involved non-compliance with LoA procedures resulting from management override of internal controls, which may negatively affect the control environment.

Notwithstanding this structural modification, the Representation is lacking sufficient technical experts to better approach its programming efforts, and has not established an M&E function to ensure adequate delivery, validation and soundness of overall project design and implementation.

While the Representation relies heavily on NSHR, performance is not consistently evaluated. In particular, the evaluation templates being used are not appropriate for NSHR who have been working with FAO for extended periods.

The report contained 11 Actions that Representation management has agreed to undertake; one of significant priority on procurement procedures and six of high priority. OIG also identified several Compliance Issues which have been communicated to management, which management has already initiated corrective measures to address.

AUD 1917 - Extraordinary Commissary Physical Inventory Count 2017

Upon management's request, OIG performed an inventory count of the Commissary and Brand Centre to assist management in evaluating the existence and completeness of the inventory balance as at 17 June 2017, and to ensure a smooth closure of contract with the external contractor. The objective of the review was to report on the extraordinary inventory count as observed by OIG.

Based on this observation, and independent sample testing, OIG found that overall the Commissary established and implemented adequate procedures for completing the inventory count. OIG's statistical sample test count did not reveal any material differences to those of the Commissary.

In the case of the Brand Centre, OIG's review revealed significant weaknesses in the inventory process mainly due to the lack of a reliable bar coding system. OIG's statistical sample test count revealed a discrepancy equivalent to 9.7 percent between OIG's count and the count of the Brand Centre. This is a very high error rate, symptomatic of inadequate management of the shop. OIG acknowledges that the Organization has already discontinued the contract with the external Service Provider and has closed the Brand Centre. The issue of inventory items missing cannot be pursued further.

AUD 2017 – FAO Representation in Malawi: Comprehensive Country Review

The overall assessment of the Representation was Satisfactory for the audit area of Country Programme and Advocacy, Some Improvement Needed for the area of Governance and Operations. This was a significant improvement compared to the last audit conducted in 2012 when the assessment in Finance and Administration was rated as Major Improvement Needed.

The report contained three actions agreed with Representation management, all of medium priority, and several Compliance Issues. Management has already initiated corrective measures to address them, especially in the Governance area.

AUD 2117 – FAO Liaison Office in Geneva: Limited Review

The overall assessment of the Office was Major Improvement Needed. The vacant posts of Director and Administrative Associate and the absence of adequate Standard Operating Procedures has weakened internal controls in the Office. Consequently, deficiencies were noted in several areas including: segregation of duties for GRMS roles and responsibilities, procurement, LoAs, justification for duty travel and preparation of BTORs should be prepared and filed, and documentation of recruitment process and pay rates for NSHR.

The report contained one Agreed Action of high priority and several Compliance Issues, which have been communicated to management. Management has already initiated corrective measures to address them.

AUD 2217 – Review of FAO Statistics Governance

Overall, the review found FAO statistical activities to be reasonably planned and programmed, supportive of achieving the corporate statistical mandate and responding to member country needs. FAO has taken the following steps, which have strengthened the governance of corporate statistics:

- Identifying the statistical activities required to achieve the corporate statistical mandate and assigning the ownership of these activities to identified actors.
- Allocating roles, responsibilities, authorities and resources to guide and empower the statistical actors.
- Establishing organizational structure, policies, rules, procedures and systems to direct and control the statistical activities and align them with the corporate strategic framework.
- Developing mechanisms for reporting on delivery of results.

In addition, the Chief Statistician (CS, who was Director of the Statistics Division, ESS until March 2017) established controls to ensure compliance of statistical activities with international norms and standards and set up measures for quality assurance. Notwithstanding the above, OIG identified areas to further improve the efficiency and effectiveness of the governance of statistical activities:

- The CS' Terms of Reference (ToR) need to be revised to take into account new duties assigned to the Office of the Chief Statistician (OCS) in the proposed 2018–2019 PWB. The revised ToRs should be the basis to establish OCS' structure and to identify the required resources to achieve its mandate.
- The online tool used for conducting the Quality Assurance and Planning Survey in 2016 showed some technological limitations that hampered full capture of field projects and consolidation of all the statistical activities carried out at FAO.
- The ToR of regional statisticians should be aligned with their actual duties.
- FAO's statistical data production processes lack full automation of data collection, validation and processing.
- The external governance structure lacks a formal Committee on Statistics to enable FAO to collect and validate member countries' statistical needs.

The CS and other stakeholders have agreed to take or coordinate the 17 Actions contained in the report, all of significant priority, to address the identified issues. In conclusion, based on its review OIG has determined that Organizational performance as regards the governance of statistical activities Needs Some Improvement.

AUD 2317 – Desk Review of Operations, Finance and Administration of the FAO Representation for Libya

Due to security reasons, OIG could not travel to the country to verify the existence of assets and to meet with the government to discuss the Unilateral Trust Fund (UTF) Programme feedback. Currently, no FAO staff are present in the country due to security restrictions.

FAO Libya mainly operates a UTF programme for USD 71 million (USD 20 million already received by FAO) under which FAO provides support and technical advice to the government, in particular to the Ministry of Agriculture, Animal and Marine Wealth (MoA) and is working towards re-establishing FAO's presence in the country. The UTF programme is in line with the national development objectives and priorities, and with FAO's Strategic Framework.

Based on its limited review, there was no indication of significant gaps in the risk management of FAO Libya operations. However, OIG identified several areas for improvement and raised six Agreed Actions (five of high priority). When implemented these will work towards a better readiness of FAO Libya to resume activities in the country, and will improve the implementation and monitoring of established projects under the UTF umbrella and financial management of UTF related expenditure.

OIG could not provide assurance that circa USD 400 000 of FAO assets are properly safeguarded in Libya.

AUD 2417 – Review of Letters of Agreement

LoAs are cost-reimbursable service contracts that are used for contracting services not available on the commercial market and are signed with non-profit entities. OIG conducted previous reviews on LoAs in 2009 and 2012. The main objectives of this review were to assess the extent to which: (i) MS 507 and other established procedures provide a reasonable framework for managing LoAs; and (ii) LoAs are adequately processed and managed to ensure the SPs deliver the agreed goods and services and value for money is demonstrated.

OIG acknowledges that the Organization, under CSAP's guidance, has made significant improvements in the management of LoAs since previous audits, such as:

- establishment of CSAP's LoA unit;
- development of new integrated Management Information System (iMIS) reports to highlight LoA anomalies (e.g. expiry date, vacant fields, outstanding payments);
- development of specific LoA templates for different types of activity;
- other templates to manage various aspects of the LoA process were enhanced or introduced; and
- international procurement officers were deployed in DOs to strengthen and streamline the LoA process.

Other improvements were in progress as at the date of the report (e.g. a specific workflow for cash transfers). OIG recommended the following additional improvements:

- further clarify and narrow the scope in the use of LoAs, which should not be used to circumvent the Organization's rules on consultants and develop alternative tools as necessary;
- revise SP selection procedures to strengthen the requirements for direct selection and increase the number of competitive selections;
- revise MS 507 to strengthen segregation of duties;
- establish a mechanism to monitor the use of LoAs, including clear monitoring roles and responsibilities; and
- develop guidelines outlining essential and mandatory LoA-related documentation to be retained by FAO and the SPs.

OIG noted with concern that some of the deficiencies identified in past reviews continue to be unresolved. OIG is concerned that eight years after its previous reports the Organization is yet to develop a fast-track process for UN to UN agreements; the scope of use of an LoA is still excessively wide; competitive selection is still not widely used to select SPs; and, defined prequalification criteria and rigorous procedures to adequately screen and assess a SP's eligibility and capacity, despite improvements made, are not yet in place.

Based on its review, OIG concludes that Organizational performance in the processes and functions reviewed, Needs Some Improvement. The report included 14 Agreed Actions, eight of high priority, requiring management attention.

AUD 2517 – Audit of Technical Support for the Procurement of Goods

As part of its 2017 workplan, OIG assessed the adequacy and effectiveness of the processes to ensure the technical quality and appropriateness of procured goods so that assets are properly safeguarded and policies and procedures are complied with.

The audit identified several control weaknesses leading to the conclusion that substantial work remains to be carried out to ensure the quality and appropriateness of goods being purchased:

- The role of LTOs and headquarters technical experts in procurement is not well defined.

- Lack of clarity among all personnel involved as to who is required to review and clear technical specifications.
- No system is in place to easily and clearly identify the technical experts at FAO who possess the expertise, authority and responsibility to develop and clear technical specifications for specific types of goods.
- There is no clear accountability framework to support the development or review and clearance of technical specifications by headquarters technical divisions (HQTDs).
- Risks of fraud and corrupt practices are high in the technical evaluation of vendor offer phase.

OIG notes that while there was general consensus among the three main stakeholders (CSAP, the HQTDs under DDN and TC) about existing weaknesses and actions required to resolve them, there was not always agreement on the responsibility for taking action. Therefore, this report includes 14 Agreed Actions and five Recommendations (three of significant priority and nine of high priority) aimed at addressing these findings and other control weaknesses. In OIG's view, management should give priority to the following:

- Develop a database to allow easy identification of technical experts.
- Develop operational guidelines for procurement that include reference to the key roles that LTOs and HQTDs play in the procurement process.
- Develop technical instructions for each input (group of inputs) that incorporate a risk-based approach, specifying the level of technical clearance required in the procurement of those goods or services.
- Develop additional guidance and templates to assist personnel in the effective and efficient procurement of specialized goods and services.

In conclusion, based on its review, OIG has determined that Organizational performance of the process for ensuring technical quality and appropriateness in the procurement of goods needs Major Improvement.

AUD 2617 – Comprehensive Review: FAO Representation in Angola

The overall assessment of the Representation was Satisfactory for the two audit areas Country Programme and Advocacy, and Governance, Accountability and Internal Control System, and Some Improvement Needed for Field Programme and Operations. This represents an improvement from the last comprehensive review in 2011 when the Finance and Administration area was rated Unsatisfactory.

The Representation has earned the full confidence of relevant Ministries and fully meets their expectations and those of its development partners. The latter interviewed considered FAO to be a model of how a UN agency should operate in respect of its positioning as a trusted technical advisor to the government, with its resultant access to funding through UTFs. A consequence of the high level of respect in which FAO is held, is the government's request for the establishment of a Programme and Liaison Office. The Representation has been proactive and successful in RM and communication resulting in the continuing significant level of funding for its field programme and good visibility in the media. There has been good progress on the implementation of the current CPF 2013–17, and the development of the new CPF (2018–21) is in progress.

The Representation has an adequate governance structure with defined accountability and the system of internal controls was assessed as operating satisfactorily. The government and development partners stated that the major risk to the high level of confidence that FAO currently enjoys in the country was the forthcoming retirement of the current FAOR due in December 2017.

The Representation has established an adequate operational structure to manage and monitor its field programme, and does so effectively through agreed result-based logframes, workplans and progress

reports. Government and development partners were satisfied with the implementation of the field programme.

Administrative processes for procurement, LoAs, travel, invoices and payments to support project implementation were generally operating adequately, but improvement is required to ensure a more efficient procurement planning process and adherence to the MS on procurement supplier selection rules.

This report contains five Agreed Actions, all of high priority, that Representation management agreed to undertake. OIG also identified several Compliance Issues which have been communicated to management and management has already initiated corrective measures to address them.

AUD 2717 – FAO Representation in Mozambique: Comprehensive Country Review

The overall assessment of the Representation was Some Improvement needed for Country Programme and Advocacy, and Major Improvement Needed for the audit areas of Governance, Accountability, Internal Controls and for Operations. OIG regrets to note that the overall control environment has not improved since its last audit and urges Representation management to take the necessary measures to correct the weaknesses identified.

Despite several external challenges, the Representation is well established in the country and is recognized and regarded as a reliable partner for technical expertise, capacity building and project implementation. The Representation has made good progress in reaching its RM target for the CPF and has proactively participated in UNDAF development and implementation by leading the Outcome on Food Security and Nutrition and by being involved in different working groups.

Representation management needs to revise CPF implementation to move away from the traditional project-driven approach to a programmatic approach based on FAO's priorities in the country. The biannual country workplan will serve as an operational strategy linking high-level CPF priorities with the field programme, and as a tool for monitoring and reporting on CPF implementation progress.

The current staffing and structure of the Representation are not aligned to its current and future programmatic and operational needs. Representation management needs to perform a staffing gap analysis and restructure administration, which is currently heavily decentralized and not cost effective. If not, accountability is diluted, processes are fragmented and the internal control system is ineffective to ensure programme delivery and fraud prevention.

The internal control system, particularly relating to procurement planning, assets and inventory management, operational advances and local travel is ineffective and requires urgent strengthening. In addition, despite several management attempts to improve the control and working environment, OIG still observed a climate of mistrust, suspicion and blame. Representation management needs to foster an open and transparent working environment and reinforce the tone from the top with respect to the zero tolerance policy on fraud and individual accountability for entrusted tasks and funds.

While the Representation generally manages its field programme portfolio in a satisfactory manner, OIG noted frequent delays in project implementation. Representation management needs to address the weaknesses in project management to ensure effective delivery.

The report contains 22 Agreed Actions that Representation management has agreed to undertake, as well as two reopened recommendations from previous reviews. OIG also identified several Compliance Issues, which have been communicated to management and management has already initiated corrective measures to address them.

AUD 2817 – Comprehensive Review: FAO Representation/Subregional Office in Zimbabwe

The overall assessment of the Representation was Some Improvement Needed for all three audit areas.

The Representation has a CPF which followed due process and receives favourable support from the government. The Representation is proactive in coordination, liaison, advocacy and knowledge sharing. Its comparative advantage is its technical knowledge, and its close working relationship with the Ministry of Agriculture is recognized by development partners.

At the time of the audit, two key donors expressed major reservations about the project formulation and implementation capacity of the Office which could have negatively impacted upon the Representation's ability to mobilize resources from these donors. The Representation expressed the view that the projects funded by these donors are now being implemented effectively with results starting to be demonstrated and that this would change the current negative perception from donors. While a proactive and targeted communication and RM strategy towards these donors is required in addition to demonstrating positive project outcomes, OIG recognizes that during the report preparation period the negative views expressed by these donors have been substantively modified, resulting in new hard commitments on future projects.

The Representation's current structure with Programme and Operations sections requires improved coordination and information sharing to increase effectiveness and efficiency. Clarity of roles and responsibilities is of increased importance given that the FAOR currently holds five combined roles, which inevitably reduces the time available for Representation management. Segregation of duties requires improvement in procurement delegations to programme assistants and reporting lines in the M&E unit, while Quality Assessment Reviews for NSHR need to ensure that input from peers is taken into account.

Given the expected reduction in the size of the portfolio, planning for the expected reduction in personnel numbers needs to be performed in a transparent and timely manner.

The internal control environment has improved following the appointment of an International Administration Officer, after a period in which the post was vacant and where control deficiencies had been highlighted by the External Auditor. However, more effort is required to foster an open and transparent working environment and remind staff of standards of conduct and the zero-tolerance policy on fraud and other corrupt practices.

An adequate operational structure is in place to manage implementation of the current field programme, although the Representation management team should meet on a more regular basis. This was compounded by issues of slow procurement, slow recruitment and partner selection. The Representation has demonstrated that it is proactive and flexible in its project approach and key activities are now expected to be implemented within project timelines, although donor reservations regarding the Representation's implementation capacity for development projects remain.

This report contains fourteen Actions that Representation management agreed to undertake, all of high priority. OIG also identified several Compliance Issues which have been communicated to management and management has already initiated corrective measures to address them.
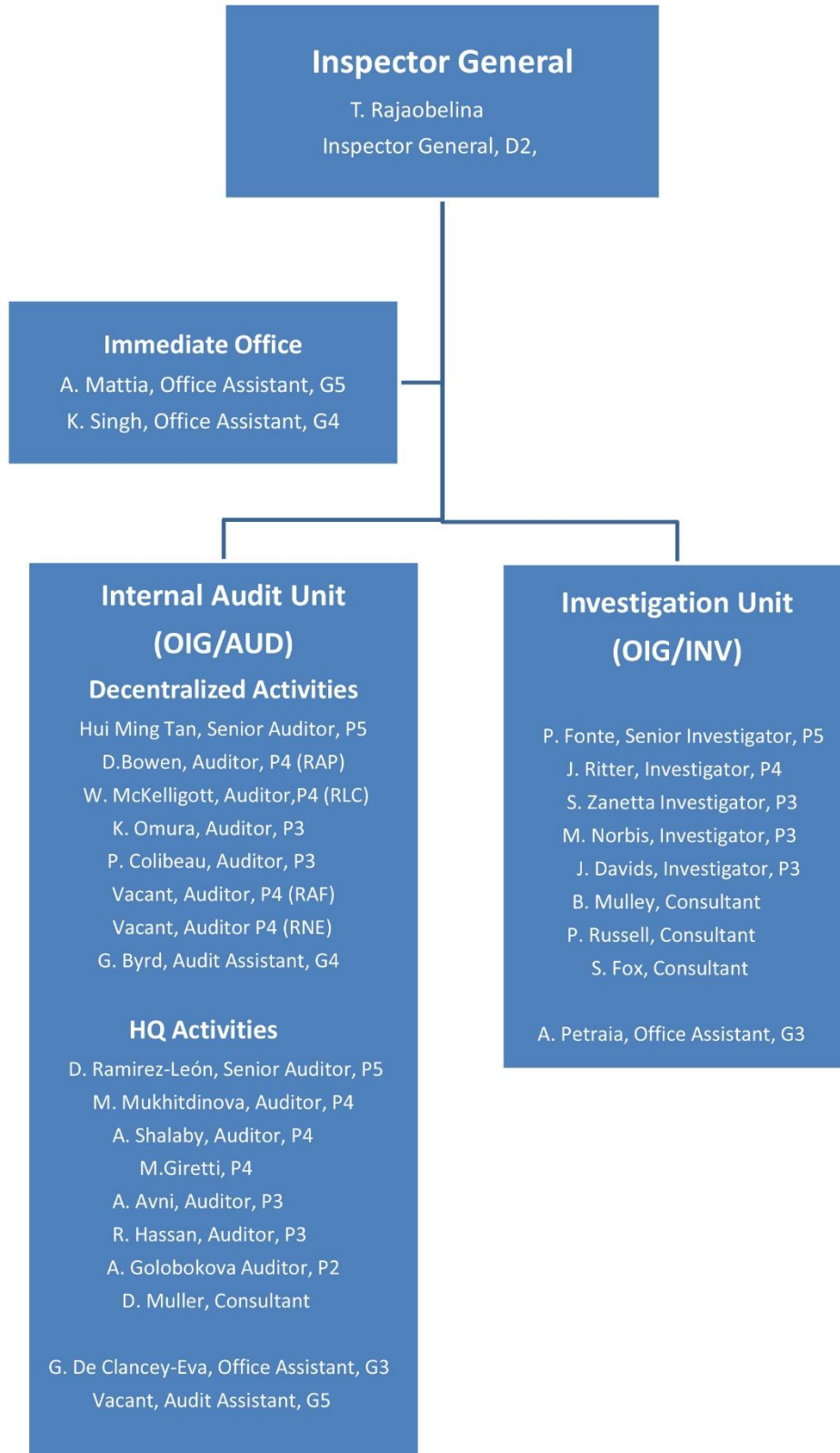
Annex E

Summary of Long Outstanding High-Risk Recommendations

Recommendation Title	Recommendation	Updated Status Information
AUD 1715 Review of the Integration of Emergency Operations with Development Activities - Rec #02 - RAF	The ADG/RRs, in collaboration with TCS, should take the lead in carrying out periodic assessments of the staffing structure and capacity of COs to implement their new budget holder responsibilities for the entire country programme, including emergencies. This should aim to: (i) measure the viability of the staffing model to fulfil the country's evolving emergency responsibilities; and (ii) identify gaps between available and required resources to finance the adopted staffing model and/or bring such gaps to the attention of OSD, OSP or DDG-O.	Based on the latest developments in terms of the (i) Review of Decentralized Offices network –staffing models, taking into account specific country needs, as well as the (ii) introduction of specific assessments of the country offices (CO) preparedness for an emergency situation, it is believed that this recommendation is addressed, and can be closed. More specifically: - In line with the Council's guidance (154th session, 2016), FAO initiated the review of the scope and modalities of country coverage in each region, of which the results and specific proposals have been endorsed and currently presented to 2018 Regional Conferences. During this biennium, FAO will be implementing, in a phased manner, the revised modalities of country coverage, aligned with the level of needs and country specific contexts. - TCE has also introduced new tools/guidance to help countries assess their capacities to respond to an emergency situation: (i) Since 2017 all COs are required in their Country Annual Report (AR) to self-assess the current status of the CO emergency response preparedness and indicate in which area(s) support for enhancing emergency response preparedness is needed, if any (Risk management, Policies and Procedures, Programming and Response Planning, Human Resources and Surge, Programme and Operations Support, Coordination, Partnership); and (ii) Since 2016 TCE has been supporting the ROs though the provision of a specific tool - the FAO Emergency Response Preparedness Plan (FERPP) - for a more detailed analysis of preparedness gaps and planning of follow-up actions to address these (e.g. such as through dedicated trainings). In RAF, FERPPs are being formulated by selected COs and training is being developed at subregional level.
AUD 1715 Review of the Integration of Emergency Operations with Development Activities - Rec #02 - RAP		Based on the latest developments in terms of the (i) Review of Decentralized Offices network – staffing models, taking into account specific country needs, as well as the (ii) introduction of specific assessments of the country offices (CO) preparedness for an emergency situation, it is believed that this recommendation is addressed, and can be closed. More specifically: - In line with the Council's guidance (154th session, 2016), FAO initiated the review of the

		scope and modalities of country coverage in each region, of which the results and specific proposals have been endorsed and currently presented to 2018 Regional Conferences. During this biennium, FAO will be implementing, in a phased manner, the revised modalities of country coverage, aligned with the level of needs and country specific contexts. - TCE has also introduced new tools/guidance to help countries assess their capacities to respond to an emergency situation: (i) Since 2017 all COs are required in their Country Annual Report (AR) to self-assess the current status of the CO emergency response preparedness and indicate in which area(s) support for enhancing emergency response preparedness is needed, if any (Risk management, Policies and Procedures, Programming and Response Planning, Human Resources and Surge, Programme and Operations Support, Coordination, Partnership); and (ii) Since 2016 TCE has been supporting the ROs though the provision of a specific tool - the FAO Emergency Response Preparedness Plan (FERPP) - for a more detailed analysis of preparedness gaps and planning of follow-up actions to address these (e.g. such as through dedicated trainings). In RAP region, FERPPs are completed for all countries. RAP carried out at the end of 2017 an analysis of FAO's emergency preparedness and response capacities in the Asia Pacific region as a basis to formulate the 2018 work plan. On the basis of these findings, a regional level training is being organized with support from TCE in May 2018

Annex F

Office of the Inspector General Organization Chart as at February 2018

Inspector General

T. Rajaobelina
Inspector General, D2,

Immediate Office

A. Mattia, Office Assistant, G5
K. Singh, Office Assistant, G4

Internal Audit Unit (OIG/AUD)

Decentralized Activities

Hui Ming Tan, Senior Auditor, P5
D.Bowen, Auditor, P4 (RAP)
W. McKelligott, Auditor, P4 (RLC)
K. Omura, Auditor, P3
P. Colibeau, Auditor, P3
Vacant, Auditor, P4 (RAF)
Vacant, Auditor P4 (RNE)
G. Byrd, Audit Assistant, G4

HQ Activities

D. Ramirez-León, Senior Auditor, P5
M. Mukhitdinova, Auditor, P4
A. Shalaby, Auditor, P4
M.Giretti, P4
A. Avni, Auditor, P3
R. Hassan, Auditor, P3
A. Golobokova Auditor, P2
D. Muller, Consultant

G. De Clancey-Eva, Office Assistant, G3
Vacant, Audit Assistant, G5

Investigation Unit (OIG/INV)

P. Fonte, Senior Investigator, P5
J. Ritter, Investigator, P4
S. Zanetta Investigator, P3
M. Norbis, Investigator, P3
J. Davids, Investigator, P3
B. Mulley, Consultant
P. Russell, Consultant
S. Fox, Consultant

A. Petraia, Office Assistant, G3

Annex G

OIG Staffing table as at February 2018

	Grade	Male	Female	Vacant	Total
Inspector General	**D2**	**1**			**1**
Auditors					**13**
Senior Auditor	**P5**	**1**	**1**		**2**
Regional Auditor	**P4**	**2**		**2**	**4**
Auditor	**P4**	**1**	**1**		**2**
Auditor	**P3**	**3**	**1**		**4**
Auditor	**P2**		**1**		**1**
Investigators					**5**
Senior Investigator	**P5**	**1**			**1**
Investigator	**P4**		**1**		**1**
Investigator	**P3**	**1**	**2**		**3**
		10	7	2	19
Audit Assistant	**G5**			**1**	**1**
Secretarial and Administrative Support					**5**
Office Assistant	**G5**	**1**			**1**
Audit Assistant	**G4**		**1**		**1**
Office Assistant	**G4**	**1**			**1**
Office Assistant	**G3**	**1**	**1**		**2**
		13	**9**	**3**	**25**

The following countries are represented:

Country	D and Professional Grade	General Service	Total
Argentina	1		1
Egypt	2		2
France	1		1
India		1	1
Italy		3	3
Japan	1		1
Madagascar	1		1
Malaysia	1		1
Russia	1		1
Spain	1		1
Switzerland	1		1
UK	1		1
USA	5	1	6
Uzbekistan	1		1
Vacant	2	1	3
Total	19	6	25

Annex H
OIG Key Performance Indicators

		Performance Indicator	Actual 31 Dec. 2017
Core OIG work			
1	**Percentage of recommendations from IA external review implemented**	**100%**	**100%**
2	**Percentage of recommendations from INV external review implemented**	**100%**	**100%**
3	**Plan completion: percentage high-risk areas covered by audit**	**100%**	**90%**
4	**All investigations completed within timeline**	**100%**	**100%**
5	**Actual vs. planned assignments**	**100%**	**90%**
6	**Days to complete audit assignments vs baseline**	**100 days**	**tbd**
7	**Client satisfaction rate (>90 percent satisfied)**	**>90%**	**95%**
8	**All complaints addressed**	**100%**	**100%**
9	**All investigation reports followed up**	**100%**	**tbd**
10	**Percentage of recommendations accepted (>90 percent)**	**>90%**	**98%**
11	**Audit recommendations implemented within two years**	**100%**	**78%**
12	**Working papers completed in Teammate and i-sight before report submission**	**100%**	**90%**
13	**Compliance with OIG Charter (100 percent)**	**100%**	**100%**
14	**Number of audit reports per staff: above UN average**	**2.25**	**2.34**
15	**Risk assessment completed in Teammate completed before December annual retreat**	**na**	**na**
16	**Proportion of senior managers consulted as part of the planning process.**	**na**	**na**
OIG management			
17	**actuals vs budget (100 percent)**	**100%**	**90%**
18	**cost/number of staff of OIG compared to other organizations/FAO overall budget/outputs**		

19	Number of vacancies	0%	10%
20	all PEMS completed in time	100%	100%
21	Gender and Security certification completed for all staff	100%	100%
22	user satisfaction from training (85 percent)	85%	tbd
23	Certification rate	100%	tbd
24	Training days per staff (10/year)	10	6
25	Absenteeism rate (below FAO average): Uncertified sick leave	1.7	1.4
26	Absenteeism rate (below FAO average): Certified sick leave	7.7	1.3
27	Relative proportions of the OIG plan insourced and outsourced (baseline to define)	tbd	tbd
28	Audit Committee documents delivered at least 10 working days in advance	10	3
29	Finance Committee documents delivered at least 30 working days in advance	30	30
30	Items from OIG retreat all acted upon	100%	75%
31	Items from OIG staff meetings all acted upon	100%	87%
32	All audit committee action points addressed to OIG implemented.	100%	90%

Annex I
List of Acronyms Used

ADG-CS	Assistant Director-General, Corporate Services, Human Resources and Finance Department
AFD	Agence Française de Développement (AFD)
BTOR	Back to Office Report
CIO	Information Technology Division
CII	Conference of International Investigators
CO	Country Office
CPF	Country Programming Framework
CS	Corporate Services, Human Resources and Finance Department
CSAP	Procurement service
CSF	Finance Division
OHR	Office of Human Resources
DDG-O	Deputy Director–General, Operations
DFID	UK Department for International Development
DO	Decentralized Office
ERM	Enterprise Risk Management
ESM	European Stability Mechanism
FAOR	FAO Representative
GRMS	Global Resource Management System
HOIA	Heads of Internal Audit in European based International Organizations
LoA	Letter of Agreement
LTO	Lead Technical Officer
M&E	Monitoring & Evaluation
MS	Manual Section
NSHR	Non-Staff Human Resources
OED	Office of Evaluation
OIG	Office of the Inspector General
OPCW	Organization for the Prohibition of Chemical Weapons
OSD	Office of Support to Decentralization
OSP	Office of Strategy, Planning and Resources Management
PEMS	Performance Evaluation Management System
PWB	Programme of Work and Budget
RBAP	Risks-Based Audit Plan
RO	Regional Office
RM	Resource Mobilization
SIWG	Syrian Investigation Working Group Meeting
SOP	Standard Operating Procedures
SP	Service Provider
UN	United Nations
UN–RIAS	UN Representatives of Internal Audit Services
UN-RIS	UN Representatives of Investigation Services UN Agencies
UTF	Unilateral Trust Fund
USAID	United States Agency for International Development